

# PUBLIC SCHOOL BOOK-KEEPING

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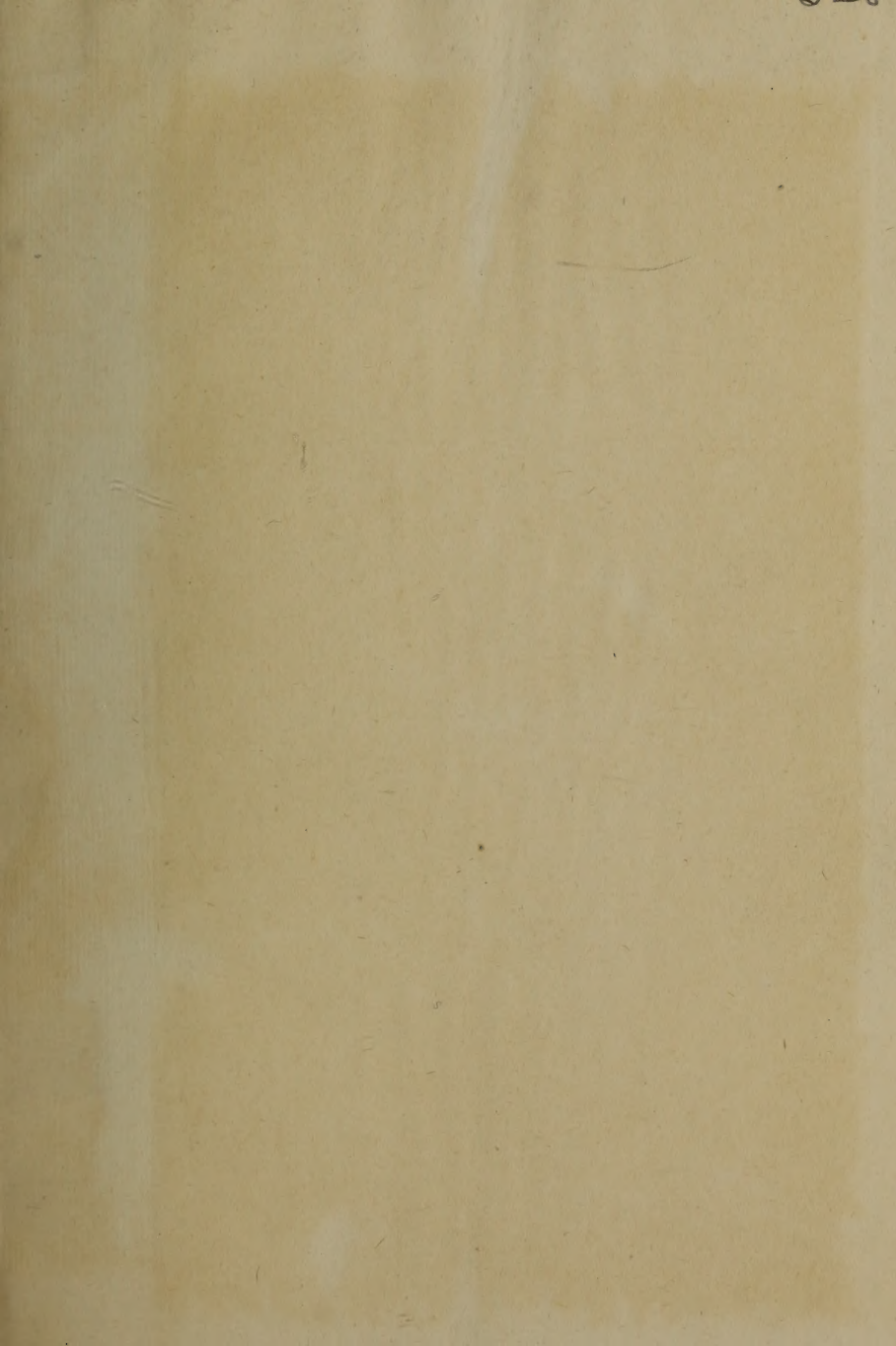
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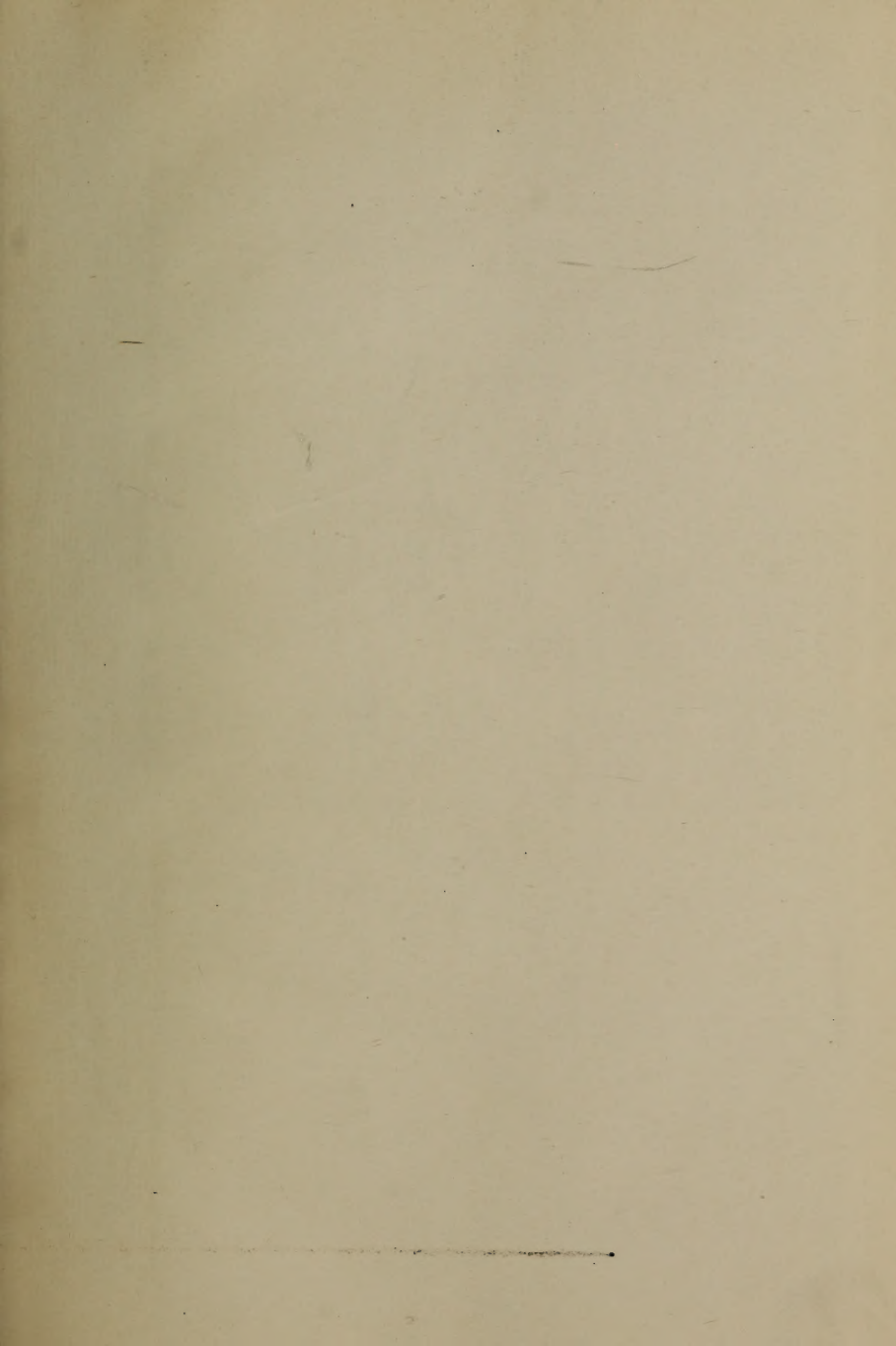


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THE  
PUBLIC SCHOOL BOOK-KEEPING

CONTAINING

ILLUSTRATIONS OF THE LATEST AND BEST METHODS  
OF KEEPING ACCOUNTS BY

SINGLE AND DOUBLE ENTRY

BUSINESS FORMS, CORRESPONDENCE, AND NUMEROUS  
CLASS EXERCISES;

BY

H. S. MACLEAN,

*Vice-Principal Manitoba Normal School; Author of Introductory Geometry, Hints on  
Teaching Arithmetic, etc.*

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Authorized by the Education Department of New Brunswick.

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## PREFACE.

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Although book-keeping as a science aims directly at bringing into view the principles underlying the recording of business transactions in a systematic and convenient manner, yet as a school subject it means much more than this. It exercises the intellect in comprehending, relating and expressing the facts with which it deals, and in deducing results from them; it emphasizes the importance of definite form, orderly arrangement, and neat execution; it cultivates the habit of accuracy, furnishing in itself tests of correctness; and it affords the best opportunities of impressing upon the pupil that real success in business depends on possessing such qualities as politeness, promptness, thoughtfulness, uprightness, etc., and on giving effect to these in all dealings with others. Further, the knowledge gained by the study of book-keeping has a high practical value in almost every sphere of life.

In its general plan this book is designed to lead the pupil to grasp the principles of book-keeping one after another by considering particular cases carefully selected for this purpose, and to give him such practice in applying the knowledge thus gained as will enable him to proceed on sure ground from each point of attack to the next, in mastering the subject.

While the aim has been to make the course thoroughly practical in respect to both matter and method, care has been taken not to render obscure what is fundamental by introducing details of business, forms of books, accounts, etc., which could not be comprehended or appreciated by beginners. Such advanced work is to be found in the High School Book-keeping, in addition to what appears in this book.

THE AUTHOR.





# BOOK-KEEPING.

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## CHAPTER I.

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### INTRODUCTORY.

That every person, whether actively engaged in business or not, should keep some record of his dealings with others, is conceded by all. The teacher or student, as well as the merchant, should keep a set of books, or one book at least in which to enter business transactions. As might be supposed, there are different methods of keeping books. No doubt there are certain well-defined principles which should always be adhered to, but the application of these must ever depend largely on the nature of the transactions recorded. A blacksmith might find one "account book" all that would be necessary for his purpose, while a banker would require to use several books. Both parties should have the same object in view, viz. : to shew clearly, expeditiously, and accurately the true state of their affairs.

The pupil must endeavor to take a firm grasp of the principles, for when these are mastered the details of any particular method will present but little difficulty.

By a **business transaction** we mean the exchange of values, *i.e.*, that something which has a financial value is given for something else to which an equal financial value is attached. When we receive or pay money, get or give for value a note, check or any other valuable consideration, a business transaction takes place.

Goods are said to be bought or sold **on credit** when actual payment is not made for them *at the time* the transaction takes place.

**EXAMPLE I.**—We sell John Smith on credit 2 bush. wheat at 70c. per bush.

As John Smith gives us no value at the time the transaction occurs, we must hold him responsible for payment ; or, in other words, we must charge the amount to him. In this way we shew by our books that he owes us \$1.40.

**EXAMPLE II.**—We buy of L. Mason on credit 12 lbs. of tea at 60c. per lb.

As we get value from L. Mason without giving value in return at the time, we must make such an entry as will show that we are indebted to him to the extent of \$7.20.

By a **Cash** transaction we mean that cash has been received or given for some other thing.

EXAMPLE I.—We sell H. Crosby a fanning mill for cash \$30.

In this case we cannot charge H. Crosby with the amount, as he has given cash in payment. But as we have received cash we must make our books show this fact.

EXAMPLE II.—We buy of A. Hilker for cash 12 lbs. of sugar at 9c. per lb.

As we pay for the sugar, the business relations which existed between A. Hilker and us before the transaction took place have not been changed, but we must make our books show that we have paid out cash \$1.08.

## ACCOUNTS.

When we have dealings with a person a very simple method of recording them is to write the **name of the person** in a *plain, large hand*, and to write the items below it. Again, when we receive or pay out money, we may write the word "**Cash**" as our heading and place the different amounts below it. We may also divide the items into two classes. For example, in each cash transaction money is either received or paid out. We may, therefore, place all amounts *received* on one side and all amounts *paid out* on the other side of the account headed "**Cash**."

A similar division can be made of the items of all other accounts; but a clear idea of this can be obtained only by means of examples.

A number of items collected under a heading is termed an **Account**.

Every account has two sides, the one to the *left* being called the **Debtor (Dr.)** side, and the one to the *right* the **Creditor (Cr.)** side.

## PERSONAL ACCOUNTS.

An account kept with a person, a firm, or a corporation is called a **Personal Account**.

It is customary to place all amounts which a *person owes us* on the Dr. side of the account which we keep with him, and all amounts which *we owe him* on the Cr. side.

### EXAMPLE.

July 1, 1886. Sold James Brown on credit 1 Reaper at \$80. July 5. Sold him two waggons at \$45 each on credit. Sept. 13. Received from him 25 bush. Wheat at 70c. per bush. Sept. 20. Received from him



## EXERCISE III.

Nov. 1, 1886.—Sold L. Mason 24 bush. Barley at 55c., and 12 bush. Wheat at 75c. 3. Sold A. Hilker 28 bush. Oats at 34c. Received from L. Mason on account, cash \$10. 5. Bought of N. D. McKinnon, 20 cords Wood at \$1.50. 6. Received from A. Hilker, 24 lbs. Cheese at 11c. Paid N. D. McKinnon, cash in full of account, \$—.

Sold L. Mason, 120 bush. Oats at 35c. Received from A. Hilker, cash in full of account, \$—.

What does the Dr. side of a Personal acct. show? What the Cr.? When the Dr. side is the greater, in whose favor is the difference between the sides? Why? What is a Personal account?

[NOTE.—The pupil is required to open in proper form an account with each person with whom he does business on credit.]

## CASH ACCOUNT.

A **Cash Account** is kept to show the amount of cash received and cash parted with. The plan adopted is to put all amounts of cash which are *taken into* the business on the Dr. side, and all amounts *parted with* on the Cr. side of this account.

## EXAMPLE.

Nov. 1, 1886.—Cash on hand, \$10. 4. Paid for a hat, \$2. 6. Received week's wages, \$5. 8. Paid for a coat, \$7. 10. Paid to C. Cameron on account, 50c. 13. Received week's wages, \$5. 17. Paid for a pair of boots, \$4. 20. Received week's wages, \$5. 23. Paid for fuel, \$1.50. 27. Received week's wages, \$5. 30. Bought for cash a vest at \$2.50. Find the amount of cash on hand.

Dr.		(Received.)	CASH.		(Parted with.)		Cr.	
1886					1886			
Nov	1	On hand .....	10		Nov	4	Paid for a hat.....	2
"	6	Received week's wages.	5		"	8	" " a coat ....	7
"	13	" " "	5		"	10	" to C. Cameron..	50
"	20	" " "	5		"	17	" for boots .....	4
"	27	" " "	5		"	23	" " fuel .....	1 50
					"	30	" " vest .....	2 50
					"		Balance on hand ....	12 50
			<u>30</u>					<u>30</u>
Dec.	1	On hand .....	12	50				

## EXERCISE IV.

July 5, 1886.—Commenced business with cash on hand, \$50. Bought of A. Mann for cash 100 yards Cotton at 7c., 20 yards Tweed at \$1.20. 10. Sold for cash to L. Mason 25 yds. Cotton at 8c. Paid for Coal Oil \$1, and for Stationery 50c. 12. Sold H. Corbett for cash 12½ yds.



Tweed at \$1.30. 15. Sold out the remainder of my goods for cash \$18. Find the amount of cash on hand.

### EXERCISE V.

Aug. 2, 1886.—Commenced business with cash on hand, \$1,100. Bought of J. Bruce for cash, 20 bbls. of Flour at \$5.50, and 200 bush. Wheat at 90c. 3. Paid fuel, \$10. 5. Sold Jas. Ross for cash, 10 bbls. Flour at \$6.50. 6. Sold W. Garrow for cash, 50 bush. Wheat at 95c. 7. Paid for Postage, \$1.20. 9. Received from J. Clark, 20 cords of Wood at \$1.50, for which I paid cash.

How much is on hand on the 10th of Aug? What does the Dr. side of the cash account show? What the Cr? Which side must be the greater when there is a difference between the sides? Explain.

A Personal Account must be opened (if not opened already) when we receive value from a person without giving equal value *at the time*; and also when we give value to a person without receiving equal value *at the time*.

All cash transactions must appear in the Cash Account in some form. As the Dr. side shows all amounts which are taken into the business and the Cr. side all amounts which are paid out, the Dr. side must be the greater when there is a difference between the sides.

The pupil will observe that the same transaction may affect both the Cash Account and a Personal Account. For example, if J. Ross pays on account cash \$30, his account must be *credited* with the amount, because he gives value without receiving, at the time, value in return; and the Cash Account must be *debited* for the same, because cash has been received.

In the next two exercises the pupil will open a Cash Account, and also such Personal Accounts as are required.

### EXERCISE VI.

Oct. 1, 1886.—Commenced business with cash on hand \$2,000. J. Taylor owes me on account \$350. 4. Bought of A. Gunn on account 250 yds. Tweed at 70c.; 30 yds. Broadcloth at \$2.30; 50 yds. Farmer's Satin at 45c.; 125 yds. Flannel at 30c. 5. Sold J. McKay 10 yds. Tweed at 90c.; 50 yds. Flannel at 40c. Paid for Coal Oil for use of store with cash, \$2.50. 6. Received from J. Taylor on account cash \$100. Paid cash for Fuel, \$20. 12. Paid A. Gunn on account cash \$140. Paid cash for Stationery and Postage, \$1.20. 13. Sold H. Murray on account 50 yds. Tweed at 90c.; 15½ yds. Farmer's Satin at 50c. 15. Paid clerk's salary with cash \$20. Paid A. Gunn cash in full of account, \$—.

Find the amount of cash on hand, and show how the Personal Accounts stand on the evening of Oct. 15th.

## EXERCISE VII.

Oct. 18, 1886.—Invested in business cash \$800. Bought of Wm. Symington for cash goods valued at \$100. 19. Sold A. Robinson on account  $12\frac{1}{2}$  yds. Silk at 90c.; 20 yds. Factory Cotton at 11c.; 14 yds. Tweed at \$1.20. 20. Bought of A. Hilker on account 300 yds. Linen at 50c. 21. Paid for Stationery, \$2.50. 22. Sold M. Milne on account  $16\frac{1}{4}$  yds. Linen at 60c.; 20 yds Muslin at 25c. 23. Paid for Office Furniture, \$10. 25. Received from A. Robinson on account cash \$5. Paid A. Hilker on account cash \$60.

The pupil's work should show the following result: Cash on hand, \$632.50; A. Robinson owes on account, \$25.25; M. Milne owes \$14.75; amount owing to A. Hilker, \$90.

## MERCHANDISE ACCOUNT.

A **Merchandise Account** is kept for the purpose of showing the *cost* and the *proceeds* of all goods handled in connection with the business.

When goods *come in* an entry is made on the Dr. side, and when goods *are disposed of* an entry is made on the Cr. side of the Merchandise Account. At commencing, the value of goods on hand is entered on the Dr. side.

Merchandise is the term commonly employed to denote goods of any kind which are bought to sell again. Goods bought for *use*, such as fuel, coal oil, stationery, &c., are not included.

## EXAMPLE.

Aug. 2, 1886.—Commenced business with goods on hand valued at \$300. Sold James Holman on account 20 yds. Linen at 40c. 4. Bought of N. Bowman on account 250 yds. Cotton at 10c. Sold H. Holmes for cash 112 yds. Tweed at 75c.\* 5. Sold C. McLaren for cash 120 yds. Cotton at 12c. 6. Bought of L. Mason for cash 224 yds. Calico at 11c. 7. Sold J. Baker my entire stock of goods for cash \$250. Find the loss or gain.

Dr.		(Cost.)	MERCHANDISE.		(Proceeds.)	Cr.			
1886.					1886.				
Aug.	2	On hand . . . . .	300		Aug.	2	Sold Jas. Holman on account . . . . .	8	
"	4	Bought of N. Bowman on account . . . . .	25		"	4	Sold for cash to H. Holmes . . . . .	84	
"	6	Bought for Cash of L. Mason . . . . .	24	64	"	5	Sold for cash to C. McLaren . . . . .	14	40
		Gain . . . . .	6	76	"	7	Sold for cash to J. Baker . . . . .	250	
			<u>356</u>	<u>40</u>				<u>356</u>	<u>40</u>

\* The pupil who has done the exercises previously given will see at once that this transaction affects the Cash Account; but it is not necessary to open any other than the Merchandise Account to find the result required.

## EXERCISE VIII.

Sept. 1, 1886.—Bought of F. Ross for cash goods valued at \$300.  
 2. Sold D. Beaton for cash 3 prs. Men's Shoes at \$4.50. Sold A. Gunn on account 2 prs. Slippers at \$1.50; 3 prs. Gaiters at \$2. 4. Bought of H. King on account 100 prs. Men's Calf Stitched Shoes at \$5.20. Sold my entire stock of goods for cash \$798.50.

Find the loss or gain.

## EXERCISE IX.

Nov. 1, 1886.—Invested in business merchandise worth \$560; cash, \$350.  
 Sold H. Calder for cash 20 yds. Flannel at 27c.; 300 yds. Sheeting at 10c.  
 Sold A. McCoubrey on account 20 yds. Tweed at \$1.20; 2 Spools Thread at 5c. 3. Paid for Fuel, cash \$25. 4. Received from A. McCoubrey on account cash \$10. Paid cash for Stationery, \$2.50. 6. Sold Wm. Muir on account 30 yds. Broadcloth at \$2.50. 8. Bought of H. Steele on account 100 yds. Scotch Tweed at \$1.30. 9. Received from W. Muir on account cash \$40.50. 10. Received from A. McCoubrey cash in full of account, \$— 12. Paid H. Steele on account cash \$100. Sold Harper & Co. on account 120 yds. Flannel at 30c. Bought of H. Steele on account an invoice of goods amounting to \$230. [By "invoice of goods" we mean goods as shown by the invoice or list of them received from the seller.] Sold A. McCoubrey for cash 5 pcs. English Print, 35 yds. each, at 20c. 15. Sold all the goods in store to W. Sloan for cash \$800.

Find the loss or gain on merchandise, and shew how the Cash Account and the necessary Personal Accounts stand. This exercise will require the opening of a Merchandise Account, a Cash Account, and personal accounts with A. McCoubrey, Wm. Muir, H. Steele, and Harper & Co.

What is the object of the Merchandise Account? What does the Dr. side show? What the Cr.? What entry should be made of goods unsold at the time of closing?

## BILLS RECEIVABLE ACCOUNT.

When a dealer purchases goods on credit there is an understanding between himself and the seller as to the time of payment, although no written promise is given. It often happens, however, that a person gets a *written promise* to pay a sum of money at some stated time, for goods which he sells. When this is the case the merchandise is not really sold *on credit*, as the promise to pay is regarded as *actual payment* for the goods.

Suppose that E. Brown buys from the pupil goods valued at \$10, and that he gives the pupil in payment the following:

\$10. Clinton, Oct. 8, 1886.  
 One month after date I promise to pay \_\_\_\_\_ (pupil's name inserted here) Ten  
 Dollars, for value received.

E. BROWN.

As Brown has given the pupil this *Promissory Note* which represents *value receivable* one month hence, he should not charge the amount of the goods to Brown's account. The pupil will open a **Bills Receivable Account**, into which he will enter this and all other *written obligations which he holds against others*.

When a note signed by another comes into a dealer's possession he should place the amount of it on the Dr. side of the Bills Receivable Account, and when he *parts with it* he should enter the amount of it on the Cr. side.

Notes on hand at commencing are entered on the Dr. side.

#### EXAMPLE.

Aug. 2, 1886.—Sold H. McDougall 12 bbls. Flour at \$5 ; 30 bush. Oats at 28c. Received in payment his note at 30 days for \$68.40. 5. Received from A. Burwash on account his note at 10 days for \$60. 6. Sold W. Cole, on his note at 3 months, goods valued \$25. 7. Bought goods from J. Patterson amounting to \$60. Gave in payment A. Burwash's note for \$60.

Find the value of other's notes on hand.

Dr.				BILLS RECEIVABLE.				Cr.			
(Others' Notes Received.)								(Others' Notes Parted With.)			
1886						1886					
Aug	2	Received for Flour and Oats from H. McDougall .....	68 40			Aug	7	Gave for goods A. Burwash's Note....	60		
"	5	Received on account from A. Burwash ..	60								
"	6	Received for goods from W. Cole .....	25								
								Others' Notes on hand.	93	40	
									153	40	

#### EXERCISE X.

Aug. 9, 1886.—I have on hand L. Mason's note for \$240. 10. Sold H. Clark on his note goods worth \$50. 11. Received cash for L. Mason's note, \$240. Received on account from D. Monroe his note for \$100. 14. Received cash for H. Clark's note for \$50. 16. Sold A. Pace on his note goods valued at \$45. Sold M. Rose on his note 12 yds. Broadcloth at \$3, \$—.

Find the amount of the notes on hand.

#### EXERCISE XI.

Aug. 23, 1886.—Commenced business investing as follows: H. Minto's note for \$300 ; C. Bolton's note for \$500. 24. Bought goods invoiced at



\$500, for which I gave in payment C. Bolton's note. 25. Sold F. Crosby on his note at 10 days goods valued at \$35. 27. Bought goods from M. Mann valued at \$40; gave in payment F. Crosby's note for \$35 and cash \$5 for balance. 28. Sold R. Martin on his note at one month goods worth \$60. 30. Received cash for R. Martin's note, \$60. Sold H. Calder on his note goods valued at \$37.

Find the value of others' notes on hand.

### BILLS PAYABLE ACCOUNT.

When a dealer gives his written promise in payment for goods that he purchases this *written promise* represents value which is *payable* at some future time; therefore, he must not treat such a transaction as if he had bought the goods *on credit*. He has *paid* for them by giving his note. He will open a **Bills Payable Account** in which to enter the amounts of all notes which he signs and hands over to others.

When he *issues* a note he makes an entry of its amount on the Cr. side of the Bills Payable Account; but when he *redeems* it the amount is entered on the Dr. side. Notes *outstanding* are entered on the Cr. side.

#### EXAMPLE.

Nov. 1, 1886.—Note outstanding in favor of A. B. Dean, \$300.  
3. Bought goods of H. Holman; gave in payment of the same my note at 10 days for \$120. 5. Paid cash for my note favor of A. B. Dean, \$300.  
6. Bought on my note at 30 days of H. C. Menzies goods valued at \$240.  
9. Bought of A. McDonald on my note at three months goods valued at \$100. 13. Paid cash for my note favor H. Holman, \$120.

Find the value of my notes outstanding.

Dr.		(My Notes Redeemed.)	BILLS PAYABLE.		(My Notes Issued.)	Cr.
1886				1886		
Nov	5	Redeemed with cash my note favor A. B. Dean.	300	Nov	1	Outstanding ..... 300
"	13	Redeemed with cash my note favor H. Holman	120	"	3	Gave for goods to H. Holman ..... 120
				"	6	Gave for goods to H. C. Menzies ..... 240
				"	9	Gave for goods to A. McDonald ..... 100
		Notes Outstanding ...	340			
			760			760

#### EXERCISE XII.

Nov. 15, 1886.—Bought goods of G. McKay, for which I gave my note for \$100. Gave my note for \$50 to G. Smith on account. 17. Paid cash

for my note favor of G. McKay, \$100. 18. Gave my note for \$55 to H. Hilker for goods. 19. Paid cash for my note favor of G. Smith, \$50. 20. Bought of M. Manley 120 yds. Tweed at \$1.20. Gave in payment my note.

Find the amount of my notes outstanding.

For the next exercise the pupil will open a Bills Receivable Account and a Bills Payable Account.

#### EXERCISE XIII.

Dec. 1, 1886.—Commenced business with notes on hand amounting to \$550. 2. Bought goods on my note for \$320. Sold Peter Bruce, on his note, 24 yds. Tweed at 75c. 4. Bought of W. McMaster, on my note, 100 yds. Flannel at 35c. Received cash from Peter Bruce in payment of his note, \$18. 6. Sold Colin Campbell, on his note, 1 suit of clothes, \$20. 7. Bought of A. Hilker, on my note, 200 yds. Cotton at 11c., \$—.

(a) Find the value of others' notes on hand.

(b) Find the value of my notes outstanding.

For the next exercise the pupil is required to open all the necessary accounts; that is, all the accounts affected by the transactions given.

#### EXERCISE XIV.

May 3, 1886.—Invested in business as follows: Cash, \$400; goods in store valued at \$200; James Reynar's note for \$40. 4. Bought of L. Mason, on my note, 200 bush. Wheat at 90c. 5. James Reynar paid cash for his note, \$40. 7. Sold Wm. Rose, for cash, 20 bush. Oats at 30c. 8. Sold W. Gordon, on account, 30 bush. Wheat at \$1. 10. Paid my note favor L. Mason with cash, \$180. W. Gordon paid cash in full of account. \$—.

(a) Find the amount of cash on hand.

(b) Find the loss or gain.

(c) What was I worth at commencing?

(d) What was I worth at closing?

#### EXPENSE ACCOUNT.

When a merchant buys articles, such as coal, wood, &c., which are *not* for sale, but *for use*, he should open an **Expense Account** to receive the amounts of them. In this account he may enter also amounts paid for rent, insurance, clerks' salaries, &c.

All sums representing the *cost* of carrying on the business are entered on the Dr. side of the Expense Account.

When articles *charged to the Expense Account* are sold (which happens but seldom), the proceeds are placed on the Cr. side of it.

## EXAMPLE.

June 1, 1886.—Paid cash for Coal, \$10. 2. Bought from H. McLaren, on account, 5 gals. Coal Oil at 30c. 5. Paid cash for Stationery, \$2, 7. Paid cash for Insurance, \$6. 9. Paid cash for Rent, \$10. 10. Bought of C. Dickson, on account, a Set of Books for store, \$5.40.

Find the total loss on expenses.

Dr.			(Cost.)	EXPENSE.	(Proceeds.)	Cr.		
1886				1886				
Jun.	1	Coal .....	10	Jun.	10	Loss .....	34	90
"	2	5 gals. Coal Oil at 30c.	1					
"	5	Stationery .....	2					
"	7	Insurance .....	6					
"	9	Rent .....	10					
"	10	Books for store .....	5	40				
			34	90			34	90

## EXERCISE XV.

Oct. 1, 1886.—Paid for Fuel, \$10. 2. Bought from Jas. Keith, on account, a Set of Books for store, \$3.40. Paid for Postage, \$1. 4. Paid for Insurance, \$5. 5. Bought of H. Burns, on account, 10 gals. Coal Oil at 30c. for use of store. 6. Paid clerk's salary, \$20.

(a) Determine the loss on expenses.

(b) What does the Dr. side of this account shew?

(c) When are articles bought placed under the heading "Merchandise," and when under the heading "Expense"?

## THE PROPRIETOR'S ACCOUNT.

When a dealer invests cash, goods, notes, or any other valuable consideration, in a business, he should open an account, having his *own name* as its heading, and place all amounts *invested* and subsequent *gains* on the Cr. side of it. All debts assumed by the business at commencing *withdrawals* and *losses*, should be placed on the Dr. side.

## EXAMPLE.

Aug. 2, 1886.—Commenced business investing as follows: Cash, \$1,000; Goods on hand, \$400; Note against L. Mason, \$50. I owe H. Henry on account \$60. 12. Withdrew from the business cash \$40. 31. Net gain for the month of August, \$60.

Shew the condition of the Proprietor's Account on Sept. 1st.

<i>Dr.</i>		(Debts Assumed, With- drawals and Losses.)	(*Pupil's Name Here.)	(Investment and Gains.)		<i>Cr.</i>
1886			1886			
Aug 2		<i>H. Henry's a/c</i> .....	60	Aug 2	<i>Cash invested</i> .....	1000
" 12		<i>Cash withdrawn</i> ....	40	" 2	<i>Goods</i> " .....	400
" 31		<i>Present worth</i> .....	1410	" 2	<i>L. Mason's note</i> ....	50
				" 31	<i>Gains for the month.</i>	60
			1510			1510

## EXERCISE XVI.—REVIEW.

March 1, 1886.—Commenced business with cash on hand \$800. 2. Bought for cash of S. Hunter goods worth \$100. 3. Paid for Stationery with cash, \$5. 4. Sold goods valued at \$25 to A. McIntyre on account. 5. Bought of J. Davis, on account, 200 bush. Wheat at \$1. 6. Bought of L. Mason, on my note, 35 bbls. Flour at \$6. Sold H. Huston, for cash, 10 bbls. Flour at \$6.50. 8. Sold A. McKay, on his note, goods valued at \$20. Paid cash for Fuel, \$15. 9. Received A. McIntyre's note in full of account, \$—. Gave my note to John Davis in full settlement of account, \$—. 10. Sold out my stock of goods for cash \$440.

RESULT.—Cash on hand, \$1,185; others' notes on hand, \$45; my notes outstanding, \$410; Expense Account shows a loss of \$20; gain on Merchandise, \$40; net gain, \$20. Present worth, \$820.

By the preceding part of the chapter the pupil will see that it is possible to record the transactions of a simple business, such as that of a farmer, mechanic or grocer in one "Book of Accounts."

The **name** of the account will be written in a large, plain hand at the top of the page of the Account Book. When an account is likely to be large several successive pages should be kept blank for it.

In recording the transactions care must be taken to give *full particulars*. Dates, prices, amounts, names of parties concerned, &c., should be stated distinctly. To allow sufficient space for this the Dr. and Cr. money columns may be placed side by side and to the right. See page 14.

In order that debits and credits may be readily distinguished the following should be attended to:

When entering a debit, place at the extreme left of the space for explanations, the word "To," and after it a full description of the transaction. The amount will be put in the left-hand money column.

When entering a credit, place the word "By" some distance from the left-hand side of the space for explanations, and after it a full description,

\*The term "Stock" is commonly used as the title of this account. We do not employ it at this stage for fear of confusion.



as in the case of a debit. The amount will be extended to the right-hand money column.

The directions that have been already given will be found sufficient for the remaining exercises of this chapter.

The pupil who has performed thoughtfully the work of the previous exercises will have observed :

- (1) *That every transaction affects at least two accounts.*
- (2) *That the debits and credits of each transaction are of equal amount.*
- (3) *That some accounts shew losses or gains, while others shew values in favor of the dealer or against him.*

#### EXERCISE XVII.

Jan. 3 1887.—Commenced business with cash in hand, \$500 ; goods in store, \$400.

- " 4. Bought goods of D. Gunn on account, \$240.
- " 5. Sold goods to B. E. Monroe on his note, \$45.50.
- " 7. Paid D. Gunn on account cash \$120.
- " 8. Sold H. Calder goods worth \$200. Received in part payment his note, \$110.
- " 11. Received cash in payment of B. E. Monroe's note, \$45.50.
- " 13. Gave D. Gunn my note to balance his account, \$—.
- " 14. Paid cash for Stationery and Postage, \$5.
- " 15. Bought goods of D. Gunn on my note, \$70. Paid cash for advertising, \$1.20.
- " 17. Sold Thomas Smith, on account, goods valued at \$18.60. Paid cash for Fuel, \$10.
- " 18. Received from H. Calder on account cash \$30.
- " 19. Redeemed my note favor of D. Gunn with cash \$— . Paid cash for Repairs, \$4.
- " 21. Sold Thomas Smith, on account, goods, \$70.
- " 22. Lent D. Gunn a \$10 bill.
- " 24. Received from Thomas Smith his note for \$80 on account.
- " 25. D. Gunn returned the money he borrowed, \$—.
- " 26. Bought a Stove for store. Gave in payment my note for \$15.
- " 27. Received cash in full payment of H. Calder's note, \$— . Paid clerk's salary, \$25.
- " 28. Received from H. Calder, on account, cash \$40.
- " 29. Paid cash for Telegram, 25c.
- " 31. Sold out my stock of goods at auction for cash \$456.35. Paid the auctioneer \$6.

NOTE.—The pupil is expected to do all he can for himself ; this exercise is worked out simply to shew the proper form.



(Pupil's Name Here.)

Dr.

Cr.

1887					
Jan.	3	By Cash.	Amt. invested .....		500
"	4	"	Mdse, " .....		400
"	31	"	Net gain .....		14
			Net Worth .....	914	
				914	914

## CASH.

Dr.

Cr.

1887					
Jan.	3	To	(Pupil's Name Here.) for Amt. on hand .....	500	
"	7		By D. Gunn. Pd. him on a/c .....		120
			" Balance .....		380
				500	500
			To Balance brot. down .....	380	
"	11	"	B. Rec. Rec'd for Monroe's note .....	45	50
"	14		By expenses for Postage, etc .....		5
"	15	"	" " " Advertising .....		1
"	17	"	" " " Fuel .....		10
			" Balance .....		409
				425	50
				425	50
			To Balance brot. down .....	409	30
"	18	"	H. Calder. Rec'd on a/c .....	30	
"	19		By B. Pay. Note favor D. Gunn .....		120
"	"	"	Expenses for Repairs .....		4
"	22	"	D. Gunn. Lent him \$10 .....		10
			" Balance .....		305
				439	30
				439	30
			To Balance brot. down .....	305	30
"	25	"	D. Gunn. Returned loan .....	10	
"	27		By expense, Salary .....		25
"	"	To	B. Rec. H. Calder's note .....	110	
"	28	"	H. Calder on a/c .....	40	
"	29		By expense, Telegram .....		25
"	31	To	Mdse. Sold stock of goods for cash .....	456	35
"	"		By expense, pd. Auctioneer .....		6
			" Balance .....		890
				921	65
				921	65





## EXERCISE XVIII.\*

- Jan. 3. 1887.—Commenced business with cash in hand \$400.  
 “ 5. Bought goods of A. Patterson on account, \$70.  
 “ 7. Bought goods of M. Anderson on my note at one month, \$40.  
 “ 8. Sold goods to Peter Cameron for cash, \$50.  
 “ 10. Paid cash for Stationery, \$1.60.  
 “ 15. Paid A. Patterson, on account, cash \$20.  
 “ 17. Bought goods of A. Patterson, on my note at 10 days, \$35.  
 “ 19. Sold A. Halden goods valued at \$60 on his note.  
 “ 21. Paid cash for Advertising, \$1.50.  
 “ 24. Paid for Repairs, cash \$5.  
 “ 25. Sold goods to Peter Cameron, \$60. Received in part payment his note for \$4. Deposited in bank cash \$300.  
 “ 27. Paid my note favor of A. Patterson with cash \$—.  
 “ 31. Sold my entire stock of goods for cash, \$16.10.  
 “ 28. Received from Peter Cameron, on account, cash \$10.

(a) Open the proper accounts as the transactions occur, and make the necessary entries.

(b) Find the loss or gain on merchandise.

(c) Find the loss on expenses.

(d) Shew how the Net Gain is found.

(e) Find the proprietor's Net Worth Jan. 31.

(f) How can the proprietor's Net Worth be obtained without making use of the Net Gain?

## EXERCISE XIX.

- Feb. 1. 1887.—Commenced business with cash in safe, \$400, and goods in store valued at \$700. Deposited in bank cash, \$250.  
 “ 2. Sold James Smith, on account, 20 bbls. Flour at \$4.50, \$—. Cash sales, \$40.  
 “ 3. Bought of A. C. Carson, on account, 200 bush. Wheat at 78c., \$—. Sold H. Macpherson, on his note at 5 days, 140 bush. Oats at 30c. Cash sales, \$56.40.  
 “ 4. Paid cash for Stationery, \$1.60. Bought of P. C. Taylor for cash, 152 bush. Barley at 52c., \$—. Paid cash for Coal Oil, \$1.20. Bought of W. Munroe, on my note at 10 days, 50 bush. Wheat at 80c., \$—. Cash sales, \$27.30.  
 “ 5. Received from James Smith, cash \$25. Paid cash for Fuel, \$6.50. Sold M. L. Jones, on account, 100 bush. Wheat at 80c., \$—. Sold D. Gaskin, on his note at 2 months, 30 bbls. Flour at \$5, \$—. Cash sales, \$20.70.  
 “ 7. Gave A. C. Carson my note at 2 months for \$100 in part payment of account. Received from James Smith, on account,

\* The pupil is expected to do the work of XVIII. and XIX. in full, transferring directly to the “book of accounts.” The accounts will be closed in the same manner as the preceding.

cash \$40. Paid for repairing store with cash, \$5.60. Cash sales, \$30.

Feb. 8. Paid A. C. Carson cash in full of account, \$—. Received from M. L. Jones, on account, cash \$35. Cash sales, \$24.90.

“ 9. Received cash for H. Macpherson's note, \$42. Paid for Advertising, cash \$5.20. Cash sales, \$22.

“ 10. Sold out the remainder of my goods to M. L. Jones, on account, for \$347.80.

(a) Find the loss or gain on merchandise.

(b) Find the loss on expenses; also the Net Loss or Net Gain. What is the Net Worth at closing?

(c) What is the amount of cash on hand? Of others' notes on hand? Of our notes outstanding?

(d) How much does James Smith owe us on account? M. L. Jones owes us how much?

## CHAPTER II.

**Book-keeping** is the recording of business transactions in such a manner as to show the true condition of a dealer's finances.

There are two methods of keeping accounts, called **Double Entry** and **Single Entry**. The main distinction between them is this:—In a Single Entry Ledger *only Personal Accounts* are kept, while in a Double Entry Ledger accounts are kept with persons and things.

[As a result of this only one entry of a transaction is made in a Single Entry Ledger, while two are made in a Double Entry Ledger, one a debit and the other a credit.]

The **Fundamental Principle** of Double Entry Book-keeping is that the debits and credits of every transaction are of equal amount.

By the method exemplified in the preceding chapter transactions are entered directly into the book of accounts, called the Ledger.

### THE LEDGER.

In the **Ledger** all the debits and credits arising out of the transactions of the business are collected and properly arranged under their respective headings.

When transactions are of a simple character the Ledger may furnish a sufficiently full record; but when a somewhat lengthy description is necessary this book is no longer suitable as one of original entry.



## THE DAY BOOK.

The **Day Book** contains a plain and comprehensive statement of each transaction connected with the business, put in as short a form as possible. When a transaction takes place it is immediately recorded in this book, the following being clearly shewn :

- (1) The **date** of the transaction.
- (2) The **name** of the person or account.
- (3) The **thing** received or given.
- (4) The **prices, quantities, &c.**, of the articles bought or sold.
- (5) The **terms** of payment.

## THE JOURNAL.

The **Journal** contains the *Debits* and *Credits* arising from each transaction recorded in the **Day Book**, arranged in such a manner that they may be easily transferred to the **Ledger**.

NOTE.—The **Journal** becomes necessary only when the entries in the **Day Book** are somewhat complicated, and are, therefore, not conveniently carried therefrom to the **Ledger**.

## DAY BOOK.

*Toronto, September 1, 1886.*

JOURNAL FOLIO.	<i>Sold James Ross,—</i>			
	200 Bbls. Flour at \$6.....	\$1,200		
	150 " Apples at \$1 .....	150	1,350	
	<i>Received in payment cash .....</i>	<i>\$1,000</i>		
	<i>Balance on account .....</i>	<i>350</i>		
	— date —			
			DOLLARS.	CENTS.

## JOURNAL.

*Toronto, September 1, 1886.*

			<i>Dr.</i>	<i>Cr.</i>		
LEDGER FOLIO.	<i>Cash, Dr.....</i>		1,000			
	<i>Jas. Ross " .....</i>		350			
	<i>To Merchandise.....</i>			1,350		
	— date —					
		DAY BOOK FOLIO.	DOLLARS.	CENTS.	DOLLARS.	CENTS.

LEDGER.\*

*Dr.*

Cash.

Cr.

	JOURNAL FOLIO.	DOLLARS.	CENTS.		JOURNAL FOLIO.	DOLLARS.	CENTS.
1886 Sept. 1 To M <sup>dce</sup> .....		1,000					

*Merchandise.*

[illegible]

*James Ross.*

[illegible]

## RULES FOR DETERMINING DEBITS AND CREDITS.†

**STOCK, OR THE PROPRIETOR'S ACCOUNT.**

Debit for the amount of the proprietor's *liabilities assumed* by the concern at the time of commencing, for all *sums withdrawn*, and for the *Net Loss* (if any) at the time of closing.

Credit for the amount of the *investment* at commencing, for all sums *subsequently invested*, and for the *Net Gain* (if any) at the time of closing.

\*When a Day Book is used the entries in the Ledger are as short as possible. The former contains the complete history of the transactions; the latter merely the results.

† By Debit is meant an entry made in such a manner as to shew the indebtedness of the person or thing represented by the Ledger title under which it is placed.

By Credit is meant an entry made in such a manner as to shew the amount due to the person or thing represented by the Ledger title under which it is placed.

The term "Stock" is commonly used as the heading of the account kept with the dealer. His name, or either of the terms "Capital" or "Proprietor," would be quite suitable.

When small sums are frequently withdrawn for private use, it is found convenient to open a "Private Account," into which to enter such. This account is closed into the Stock Account.

In a Partnership business an account should be opened with *each partner*, and it should be treated in a manner similar to the Stock Account.

## MERCHANDISE ACCOUNT.

Debit for the value of the goods *on hand* at the time of commencing, for the cost of goods *subsequently purchased*, and for the value of goods *returned by customers*.

Credit for the *proceeds of sales*, for the value of goods *returned by us*, and for the value of goods *on hand* at the time of closing.

All goods bought *on speculation* are included under the heading "Merchandise." When a dealer wishes to know his gain or loss on any particular line of goods he must open a separate account for it.

Articles purchased for *use*, but not handled in connection with the business, do not belong to this account.

## REAL ESTATE ACCOUNT.

Debit for the *value of the property* represented at commencing, for the *cost of that afterwards purchased*, and for all *charges*.

Credit for all amounts *against the property* represented at commencing, for *proceeds*, and for the *value of the property* at the time of closing.

Farms, stores, dwelling houses, &c., are usually included under this heading.

## CASH ACCOUNT.

Debit for the amount of *cash on hand* at the time of commencing, and for all amounts afterwards *received*.

Credit for all amounts of cash *parted with*.

Checks, Sight Drafts, Bank Drafts, Bills of Exchange payable on demand, Post Office Orders, Certificates of Deposit, &c., are included under this heading. Generally, all paper which can be cashed *immediately*, when received by us, is regarded as cash.

## PERSONAL ACCOUNTS.

Debit for the amounts *they owe us* at commencing, for their subsequent *indebtedness to us*, and for all payments which *we make to them* on account.

Credit for all amounts which *we owe them* at the time of commencing, for our subsequent *indebtedness to them*, and for all payments which *they make to us* on account.

## BANK ACCOUNT.

Debit for the *amount deposited* at the time of commencing, and for all *other sums deposited* from time to time.

Credit for the amounts of *checks issued*, and for all sums otherwise *withdrawn*.

## BILLS RECEIVABLE ACCOUNT.

Debit for the amount of *others'* notes, acceptances, &c., which are *on hand* at the time of commencing, and for the amounts of those afterwards *received*.

Credit for the amounts of *others'* notes, &c., *disposed of*.

Under this heading we put all written obligations which we hold *against others* that are not payable on demand, such as Promissory Notes, Time Drafts, &c.

## BILLS PAYABLE ACCOUNT.

Debit for the amounts of *our* notes, &c., when they are *redeemed by us*.

Credit for the amount of *our* notes, &c., which are in the *possession of others* at the time of commencing, and for the amounts of those afterwards *issued*.

Under this heading we put all written obligations which others hold *against us*, such as Promissory Notes, Acceptances, &c.

## EXPENSE ACCOUNT.

Debit for the *outlay* in running the business.

Credit for the *proceeds of sales* of articles formerly charged to this account, and for the value of such articles *on hand* at the time of closing.

Expense is a general term usually including Stationery, Postage, Office Books and Furniture, Rent, Salaries, Light, Fuel, &c.

If the dealer wishes to know the loss on any one of these he must open a separate account for it, debiting for the cost and crediting for the proceeds.

## INTEREST AND DISCOUNT ACCOUNT.

Debit for sums *paid by us* for the use of money, and for sums *allowed by us* on debts paid to us before due.

Credit for sums *paid to us* for the use of money, and for sums *allowed to us* for debts paid by us before due.

Interest is an allowance made for the *use of money*.

Discount is an allowance made for the payment of a debt *before it becomes due*.

As Interest paid out and Discount allowed by us affect the business in exactly the same way it is not necessary to keep a separate account for each. The same may be said of Interest received and Discount allowed to us.

At the time of *commencing* accrued interest in our favor is debited, and that against us is credited.

At the time of *closing* accrued interest in our favor is credited, and that against us is debited.

## GENERAL RULES.

All the preceding rules are included in the following general rules :

(1) The **person, firm or corporation** receiving value without giving equal value *at the time* is made Dr., and the **person, firm or corporation** giving value without receiving equal value *at the time* is made Cr.

(2) The **thing received** is made Dr., and the **thing parted with** is made Cr.

## EXERCISE I.

1. Bought of James Brown goods on account worth \$30.
  2. Paid R. Miller cash on account, \$100.
  3. Received from L. McLeod cash \$1.50 on account.
  4. Sold goods to M. Ray for cash, \$40.
  5. Bought goods from R. McKay for cash, \$15.
  6. Sold Peter McGarva, on his note, goods valued at \$50.
  7. Bought of R. Ross \$100 worth of goods. Gave in payment my note.
  8. H. Henry paid his note in cash, \$40.
  9. Received from J. Jones \$10 on account.
  10. Paid M. W. Hespeler \$100 on account.
  11. Paid \$2 cash for Coal Oil for use in store.
  12. Bought of R. Miller goods valued at \$45. Gave in payment my note at 30 days.
  13. Bought of L. Mason goods valued at \$70. Gave in payment cash \$40, the balance on account.
  14. Sold to James Johnston goods valued at \$90. Received in payment his note at 10 days for \$30 and cash for balance.
  15. Bought of W. Hill, on my note at 60 days, goods worth \$90.
  16. Sold H. Corbett, on account, 200 bush. Wheat at 90c.
  17. Bought of L. Jones, for cash, 20 bush. Wheat at 85c.
  18. Paid for Office Furniture, \$25 in cash.
  19. Bought a House and Lot for \$900 in cash.
  20. Paid for Fuel, cash \$5.
- (a) Determine the debits and credits.

## SET I.—RECORD OF TRANSACTIONS.

- CLINTON, Sept. 1, 1886.—Commenced business on Albert Street, investing as follows :—Cash, \$500 ; 100 bbls. Flour at \$5.50 ; 300 bush. Wheat at 90c. ; John Smith owes on account \$40.
- Sept. 2. Bought of R. Mills, for cash, 100 bbls. Flour at \$5.
- “ 3. Sold W. Hill, for cash, 50 bush. Wheat at \$1.05 ; 3 bbls. Flour at \$6.50.
- “ 4. Sold R. Fullerton, on account, 25 bush. Wheat at \$1 ; 15 bbls. Flour at \$6.
- “ Deposited in Bank cash \$50.



- Sept. 7. Sold J. Pace, on account, 50 bbls. Flour at \$6.10; 30 bush. Wheat at \$1.
- " 8. Received from John Smith in full of account, cash \$30, his note at 30 days for \$10.
- " 9. Paid cash for Books for use of Store, \$10.
- " 10. Lent R. Fullerton a \$5 bill.
- " 11. Paid H. McDonald for repairing doors, &c., cash \$1.
- " 13. Sold R. McNaughton 20 bbls. Flour at \$6.10, on his note at 30 days.
- " 15. Bought of P. McEwen, on my note at 10 days, 10 bbls. Flour at \$6.
- " 17. Received from R. Fullerton, on account, cash \$50.
- " 18. Sold J. Langdon 100 bbls. Flour at \$6.10. Received in payment an order on R. Fullerton for \$100; John Smith's acceptance for \$200; cash for balance, \$—.
- " 20. Received from R. Fullerton in payment of order from J. Langdon, cash \$100.
- " 21. Received J. Pace's note at 30 days in full of account, \$—.
- " 22. Paid for Fuel, cash \$10. Deposited in Bank, cash \$200.
- " 25. Paid cash for my note of 15th inst., \$—.
- " 27. Bought of A. Mann, on my note at 30 days, 30 bush. Wheat at 90c.
- " 28. Paid for Coal Oil, cash \$1.20.
- " 29. Sold L. Mason, on his note at 30 days, 10 bbls. Flour at \$6.10; 98 bush. Wheat at 90c.

*Inventory, Sept. 30.*

12 bbls. Flour at \$5.50.....	\$66 00
127 bush. Wheat at 90c.....	114 30
Total.....	<u>\$180 30</u>

## SPECIMEN DAY BOOK.

The student should write up the Day Book from the Record of Transactions. When he makes an entry he should compare it with the corresponding entry in the Specimen Day Book. It is important to observe carefully the correct form. A loose sheet should be ruled and the entries made on it; when these are corrected they should be put in the blank book.

*Clinton, September 1, 1886.*

(Student's Name.) commences business this day on Albert Street investing as follows:—		
Cash on hand .....	500	
100 bbls. Flour .....\$5 50	550	
300 bush. Wheat ..... 90	270	
John Smith owes .....	40	1,360
2 .....		
Bought of R. Mills for cash,—		
100 bbls. Flour.....\$5		500
3 .....		
Sold W. Hill for cash,—		
50 bush. Wheat .....\$1 05	52	50
3 bbls. Flour ..... 6 50	19	50
4 .....		72
Sold R. Fullerton on a/c,—		
25 bush. Wheat .....\$1	25	
15 bbls. Flour ..... 6	90	115
6 .....		
Deposited in Bank,—		
Cash .....		50
7 .....		
Sold J. Pace on a/c,—		
50 bbls. Flour .....\$6 10	305	
30 bush. Wheat ..... 1	30	335
8 .....		
Received from John Smith in full of a/c,—		
Cash .....	30	
His note at 30 days for .....	10	40
9 .....		
Paid cash for Books for Store .....		10
10 .....		
Lent R. Fullerton a \$5 bill .....		5
11 .....		
Paid H. McDonald for repairing doors, etc., cash.		1
		2,488

*Clinton, September 13, 1886.*

<i>Brought forward .....</i>					2,488
<i>Sold R. McNaughton,—</i>					
20 bbls. Flour .....	\$6 10				
<i>Received in payment,—</i>					
His note at 30 days for .....	\$122				122
15					
<i>Bought of P. McEwen, on my note at 10 days,—</i>					
10 bbls. Flour .....	\$6				60
17					
<i>Received from R. Fullerton on a/c,—</i>					
Cash .....					50
18					
<i>Sold J. Langdon,—</i>					
100 bbls. Flour .....	\$6 10				610
<i>Received in payment,—</i>					
An order on R. Fullerton .....	\$100				
John Smith's acceptance .....	200				
Cash for balance .....	310				
20					
<i>Received from R. Fullerton in payment of Order</i>					
<i>received from J. Langdon,—</i>					
Cash .....					100
21					
<i>J. Pace gave his note at 30 days in full of a/c.....</i>					335
22					
<i>Paid for Fuel with cash .....</i>					10
22					
<i>Deposited in Bank,—</i>					
Cash .....					200
25					
<i>Paid cash for my note of 15th inst .....</i>					60
27					
<i>Bought of A. Mann on my note at 30 days,—</i>					
30 bush. Wheat .....	\$ 90				27
28					
<i>Paid for Coal Oil with cash .....</i>					1 20
29					
<i>Sold L. Mason on his note at 30 days,—</i>					
10 bbls. Flour .....	\$6 10	61			
98 bush. Wheat .....	90	88	20	149	20
				4,212	40
<i>Inventory,—</i>					
Flour, 12 bbls .....	\$5 50	66			
Wheat, 127 bush .....	90	114	30		
<i>Total .....</i>		180	30		

## SPECIMEN JOURNAL.—SET I.

The simplest form of the Journal is here presented. The pupil will rule properly a loose sheet and make the Journal entries on it; he will then compare his work with the model, correcting it wherever necessary. After this he is in a position to use the blank form. The narrow column to the right is for the page of the Day Book. This is to be filled as soon as the Journal entry is made. The column to the left is for the page of the Ledger, and must not be filled until after the entry is posted. As soon as an entry is transferred from the Day Book to the Journal the page of the Journal must be placed in the column to the left of the Day Book.

*Clinton, September 1, 1886.*

LED. FOL.			D. B. FOL.		
	Cash	Dr. ....	500		
	Mdse.	" ....	820		
	John Smith	" ....	40		
		To Stock ....	25		1,360
	2				
	Mdse.	Dr. ....	25	500	
		To Cash ....			500
	3				
	Cash	Dr. ....	25	72	
		To Mdse. ....			72
	4				
	R. Fullerton	Dr. ....	25	115	
		To Mdse. ....			115
	6				
	Bank	Dr. ....	25	50	
		To Cash ....			50
	7				
	J. Pace	Dr. ....	25	335	
		To Mdse. ....			335
	8				
	Cash	Dr. ....	25	30	
	Bills Rec.	" ....		10	
		To John Smith ....			40
	9				
	Expense	Dr. ....	25	10	
		To Cash ....			10
	10				
	R. Fullerton	Dr. ....	25	5	
		To Cash ....			5
				2,487	2,487

Clinton, September 11, 1886.

LED. FOL.			FOL.			FOL.
	Dr.	To		Dr.	To	
		Brought forward .....		2,487		2,487
Expense	Dr.	.....		1		
		To Cash .....	25			1
		13 .....				
Bill Rec.	Dr.	.....	26	122		122
		To Mdse. ....				
		15 .....				
Mdse.	Dr.	.....	26	60		60
		To Bills Payable .....				
		17 .....				
Cash	Dr.	.....	26	50		50
		To R. Fullerton .....				
		18 .....				
R. Fullerton	Dr.	.....	26	100		
Bills Rec.	"	.....		200		
Cash	"	.....		310		
		To Mdse. ....				610
		20 .....				
Cash	Dr.	.....	26	100		100
		To R. Fullerton .....				
		21 .....				
Bills Rec.	Dr.	.....	26	335		335
		To J. Pace .....				
		22 .....				
Expense	Dr.	.....	26	10		10
		To Cash .....				
		.....				
Bank	Dr.	.....	26	200		200
		To Cash .....				
		25 .....				
Bills Payable	Dr.	.....	26	60		60
		To Cash .....				
		27 .....				
Mdse	Dr.	.....	26	27		27
		To Bills Payable .....				
		28 .....				
Expense	Dr.	.....	26	1	20	1 20
		To Cash .....				
		29 .....				
Bills Rec.	Dr.	.....	26	149	20	149 20
		To Mdse. ....				
		.....				
		.....		4,212	40	4,212 40



## LEDGER INDEX.

	A	E	I	O	U	Y
A						
B	<i>Bank 32</i>		<i>Bills Rec. 31</i>			
C	<i>Cash 30</i>		<i>Bills Pay. 31</i>			
D						
E		<i>Expense 32</i>				
F					<i>Fullerton, R. 32</i>	
G						
H						
I & J						
K						
L						
M		<i>Merchandise 31</i>				
N & O						
P	<i>Pace, J. 32</i>					
Q						
R & S						
T			<i>Smith, John 32</i>	<i>Stock 30</i>		
U						
V						
W						
X & Y						
Z						

## INDEX TO LEDGER.—EXPLANATION.

It is important to index an account just before opening it in the Ledger, as this will prevent the occurrence of two accounts having the same heading.

The form presented is termed a vowel index. When there are a great many accounts in the Ledger, such an arrangement of the titles as is here shown will be found convenient. If an account has to be transferred for the first time from one page to another, the figure 2 will be placed over the figures indicating the new page. If it is transferred for the second time, the figure 3 will be used. This number will shew the order of opening the account on any of the pages on which it appears.

The pupil will observe that each horizontal space represents a page of an index, such as would be used in actual business.

This form of index is so simple as to be easily understood by the pupil who will study it carefully.

### SPECIMEN LEDGER. SET I.

<i>Dr.</i>	(Debts at commencing, Withdrawals and Net Loss, if any.)	<i>Stock.</i>	(Investments and Net Gain, if any.)	<i>Cr.</i>
1886		1886		
		Sept. 1	By Sundries . . . .	1,360

1. Why has no entry been made on the Dr. side?  
 2. What is posted to the Cr. side?  
 3. In what accounts are the debits corresponding to the credit of this account found?  
 4. What does the difference between the sides of this account shew?

REMARKS.—The term "Stock" stands for the Proprietor's name. Either "Proprietor" or "Capital" would be quite suitable. As this account must shew the dealer's Net Worth it cannot be closed until the Net Gain or Net Loss has been found.

(Received.)	<i>Cash.</i>	(Paid Out.)
1886	1886	
Sept. 1	To Stock . . . . .	500
" 3	" Mdse . . . . .	72
" 8	" John Smith . .	30
" 17	" R. Fullerton .	50
" 18	" Mdse . . . . .	310
" 20	" R. Fullerton . .	100

1. What appears on the Dr. side of the Cash account? What on the Cr.?  
 2. If there is a difference between its sides, which is the greater? Why?  
 3. What does this difference represent?  
 4. In making a statement of Resources and Liabilities, and also a statement of Gains and Losses from this Ledger, into which would you place the amount of cash on hand?

Sept. 2	By Mdse . . . . .	500
" 6	" Bank . . . . .	50
" 9	" Expense . . . .	10
" 10	" R. Fullerton .	5
" 11	" Expense . . . .	1
" 22	" " . . . . .	10
" " "	" Bank . . . . .	200
" 25	" Bills Payable .	60
" 28	" Expense . . . .	1 20

REMARKS.—The student must endeavor to grasp the meaning of the terms used in No. 4. Having done this, he will have but little difficulty in distinguishing the two great classes of accounts from one another. What are those classes?

<i>Dr.</i>		(Cost.)	<i>Merchandise.</i>	(Proceeds.)	<i>Cr</i>
1886			1886		
Sept.	1	To Stock . . . . .	820	Sept.	3 By Cash . . . . . 72
"	2	" Cash . . . . .	500	"	4 " R. Fullerton . . 115
"	15	" Bills Pay . . . . .	60	"	7 " J. Pace . . . . . 335
"	27	" " . . . . .	27	"	13 " Bills Rec . . . . . 122
				"	18 " Sundries . . . . . 610
				"	29 " Bills Rec . . . . . 149

1. What does the first entry on the Dr. side of this acct. show?
2. What does the Dr. total represent?
3. What the Cr. ?
4. When the Mdse. is all sold, what must the difference between the sides show?

REMARKS.— By the Inventory the goods remaining unsold are worth \$180.30. When these goods were bought the cost of them was entered on the Dr. side of this account, but as they are still on hand and therefore represent value, this account must be credited with such value before it is in a position to show whether the dealer has gained or lost on Merchandise.

(Other's Notes)		<i>Bills Receivable.</i>		(Other's Notes)	
Received.				Parted With.	
1886					
Sept.	8	To John Smith....	10		
"	13	" Mdse .....	122		
"	18	" " .....	200		
"	21	" J. Pace .....	335		
"	29	" Mdse .....	149	20	

1. What does the Dr. footing shew?
2. Why is there no entry on the Cr. side?
3. How many notes are now on hand?
4. What entry in this acct. when a note is collected?

5. Whether would the difference between the sides of this account be put into a statement of Resources and Liabilities, or into one of Gains and Losses?

(My Notes Redeemed.)		<i>Bills Payable.</i>		(My Notes Issued.)		
1886				1886		
Sept. 25	To Cash .....	60		Sept. 15	By Mdse.....	60
		<u>60</u>				<u>60</u>
				Sept. 27	By Mdse .....	27

1. Why was this acct. closed on Sept 25th?
2. Why re-opened on the 27th?
3. When is an entry made on the Dr. side? When on the Cr ?

REMARKS.— It is customary to close an account whenever the footings of its sides are found equal, and to re-open it when further entries are to be made in it.

<i>Dr.</i>	(Amount Deposited.)	<i>Bank.</i>	(Amount Withdrawn.)	<i>Cr.</i>
1886				
Sept. 6	To Cash .....	50		
" 22	" " .....	200		
1.	What does the Dr. side shew?			
2.	What the Cr.?			
3.	How much is deposited?			
4.	Whether does this show a Resource or a Liability? Explain.			
5.	In what way do business men pay their debts with money deposited?			
6.	How does this account resemble a Personal Account?			

(My Account Against Him.)	<i>John Smith.</i>	(His Account Against Me.)
1886		1886
Sept. 1	To Stock .....	40
		40
1.	Why was this account closed on Sept. 8th?	
2.	What does the Dr. side of every Personal Account shew?	
3.	Explain the entry made on Sept. 1st.	

(My Account Against Him.)	<i>R. Fullerton.</i>	(His Account Against Me.)
1886		1886
Sept. 4	To Mdse .....	115
" 10	" Cash .....	5
" 18	" Mdse .....	100
1.	What does the difference between the sides of this account shew?	
2.	What is meant by Personal Account	

(My Account Against Him.)	<i>J. Pace.</i>	(His Account Against Me.)
1886		1886
Sept. 7	To Mdse .....	335
		335
1.	Explain the closing entry.	
2.	When is a Personal Account debited?	
3.	When credited?	
4.	Is it necessary to take this account into consideration when testing the equilibrium of the Ledger? Why?	

(Outlay.)	<i>Expense.</i>	(Proceeds.)
1886		
Sept. 9	To Cash .....	10
" 11	" " .....	1
" 22	" " .....	10
" 23	" " .....	1 20
1.	What kind of outlay comes under this heading?	
2.	Here the debit side amounts to \$22.20. Whether would this be entered in a Statement of Gains and Losses or in one of Resources and Liabilities? Explain.	
3.	Which side of this account is likely to be the greater?	
4.	How does this account affect the Stock Account?	

## TRIAL BALANCE.

Whenever the posting is complete, the pupil should test its correctness by taking off a Trial Balance. As every debit has its corresponding credit, the sum of the debits must be equal to that of the credits; or, in other words, the Ledger must be in equilibrium. If such is not the case one error at least has crept in, and it must be discovered before any further progress is made. The Student will commence with the first acct. in the Ledger. He will find the Dr total (if any), entering it in pencil, as it is to be erased afterwards. He will then add the Cr. side and enter it as before. All the open accts., in the Ledger, are to be treated in a similar manner. This being done, the results will be arranged as shown by the form given below. If the amounts of the Dr. and Cr. columns are the same, the Ledger is, of course, in balance. By adding to these the totals of the closed accts., an additional test is furnished; as the results should correspond to the totals of the Day Book and Journal.

When the Trial Balance is satisfactory, it is assumed that the work is correct.

*Trial Balance.—Set 1.*

F. L.	ACCOUNTS.	DR.		CR.	
30	Stock.....			1,360	
30	Cash.....	1,062		837	20
31	Mdse.....	1,407		1,403	20
31	Bills Rec.....	816	20		
31	Bills Pay.....			27	
32	Bank.....	250			
32	R. Fullerton.....	220		150	
32	Expense.....	22	20		
	Proof of Equilibrium.....	3,777	40	3,777	40
	Amount of Closed Accts.....	435		435	
	Total.....	4,212	40	4,212	40

In business the books are usually balanced once a month and the Trial Balances are properly filed. The best method is to keep a Trial Balance Book, which is ruled so as to have a set of columns for each month of the year.

## DETECTING ERRORS.

Many rules have been given for detecting errors in the Trial Balance, but only a few of these are found to be of any practical value.



The following directions may prove helpful :

- (1.) Make sure that the columns of the Trial Balance are properly added.
- (2.) Test the footings of the accounts in the Ledger.
- (3.) Find out whether the footings are transferred correctly to the Balance Sheet or not.
- (4.) Add the columns of the Journal to see if it balances.
- (5.) Examine each Journal entry by itself, and also the posting of it, checking in both the Journal and the Ledger. Place the check mark (✓) opposite each amount.
- (6.) Look through the Ledger for unchecked entries, and when one is found search for the cause of its appearance.

In most cases it will not be necessary to resort to all these; but until the error is found the foregoing should be applied in the order in which they are given.

### CORRECTING ERRORS.

**Day Book.** No erasing is allowable in a book of original entry. If the amount is wrong rule a light red line through it, and then enter the correct amount over that which has been cancelled. But if the entry is altogether astray, and if it has gone no further than the Day Book, mark it "void, corrected page—," and make a new entry on the page mentioned, there referring to the one on which it first appeared. It may be necessary to make explanatory entries. These will be discussed hereafter. Whatever the correction made, it must not in any way render illegible the original entry.

**Journal.** When the Journal is not the book into which the transactions are entered as they occur, an occasional erasure of a word or figure does not seem very objectionable; but, if an entry is altogether wrong, it should be marked "void," the proper references being given. Cross entries are sometimes employed to correct errors in the Journal.

**Ledger.** If the wrong amount is given, correct it; but if the entry is made to the wrong account make ciphers of the figures expressing the amount and post correctly. When two accounts having the same heading are opened, as is almost sure to be the case if the indexing is not properly attended to, close one of them into the other and give the proper reference. If the same amount should be twice entered, the best way of correcting it is to make in the second entry ciphers of the figures in the money column.

The student will make out the following statements from his own Books:

*I. Statement of Losses and Gains.—Set I.*

ACCOUNTS.		LOSSES.		GAINS.	
Merchandise.....	Cr.—Proceeds.....\$1,403 20				
“.....	“    Unsold.....    180 30				
“.....	Dr.—Cost.....\$1,583 20				
	Gain.....			176	50
Expense.....	Dr.—Outlay, Loss.....	22	20		
	<i>Difference or Net Gain.....</i>	<i>154</i>	<i>30</i>		
		176	50	176	50

By **Resources** or **Assets** we mean all values either in our possession or owing to us by others, which are applicable to the payment of debt: by **Liabilities** we mean all values which we owe to others.

*II. Statement of Resources and Liabilities.—Set I.*

ACCOUNTS.		RESOURCES.		LIABILITIES.	
Cash.....	Dr.—Amount rec'd.....\$1,062 00				
“.....	Cr.    “    paid out ..... 837 20				
	Bal. on hand.....	224	80		
Bills Rec.....	Dr.—Others' notes rec'd.....	816	20		
Bills Payable....	Cr.—My notes issued.....			27	
Bank.....	Dr.—Amount deposited.....	250			
R. Fullerton.....	Dr.—My account against him....\$220 00				
“.....	Cr.—His account against me.... 150 00				
	Bal. due me.....	70			
Merchandise.....	Amount unsold, valued at.....	180	30		
	<i>Difference or Present Net Worth.</i>			<i>1,514</i>	<i>30</i>
		1,541	30	1,541	30
Proof.....	Net Investment ....\$1,360 00				
	“   Gain..... 154 30				
	<i>Present Net Worth..... \$1,514 30</i>				

## THE TWO CLASSES OF ACCOUNTS.

The pupil, who has endeavored faithfully to answer the questions given in connection with the accounts in the Ledger of Set I, must have seen that two sets of results can be obtained from it. The Dr. total of the **Cash** Account is \$1,062, which means simply that that amount of Cash was *received* during the term of business. The Cr. side shows that \$837.20 was *paid out* in the time mentioned. The difference between the amount received and the amount paid out obviously represents the *cash on hand*, which, in this particular case, is \$224.80. Is this a Resource or, in other words, is it something owned by the dealer, to which a financial value is attached? A moment's reflection will make clear that when a difference exists, the Dr. side of the Cash Acct. must be the greater, consequently, when it does not close itself, it must shew, what in business language is termed, an *Asset* or *Resource*.

Again, consider **R. Fullerton's** Acct. The Dr. total is \$220, that is, our account against him amounts to that sum. But his acct. against us amounts to \$150, therefore there is a balance of \$70 in our favor. From a financial point of view this is looked upon as property which belongs to us, hence it is an *Asset* or *Resource*. If the Cr. side had been the greater the balance would have been in his favor and for that reason would have been to us a *Liability*. Hence a Personal Acct. shews either a *Resource* or a *Liability*.

Take now the **Mdse.** Acct. The Dr. side represents the cost of the goods, and the Cr. side the proceeds. If the property is all sold the difference between them must evidently shew the *gain* or *loss*. If the Dr. side is the greater the difference is a *loss*, but if the Cr. is the greater the difference is a *gain*. If a part of the goods remains unsold, the account must be credited with its value.\* After this is done the difference between the sides will be the gain or loss on the merchandise handled. The property *unsold* should manifestly be considered a Resource. We come to the conclusion then that when the Mdse. Acct. does not close itself it exhibits a *Gain* or a *Loss*.

If this is true of the Mdse. Acct. it holds good for the very same reasons in the case of all **Property** Accts.

The **Expense** Acct. evidently shews a *Loss*; but it is unnecessary to multiply examples, as the foregoing are quite sufficient to establish the fact that *accounts may be divided into two classes, viz:*

### (1) RESOURCE AND LIABILITY ACCOUNTS.

### (2) LOSS AND GAIN ACCOUNTS.

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\* Suppose that a dealer has bought 500 bush. of wheat at \$1, and that he has sold 200 bush. at \$1.10. It is obvious that he has gained 10c. per bush. on the amount sold, or \$20 in all. Now on the Dr. side of the Mdse. Acct. there will appear \$500, while on the Cr. there will be only \$220; therefore, to make the account shew the gain, the value of the 300 bush. unsold must be placed on the Cr. side.

## CLASSIFICATION OF THE ACCOUNTS OF SET I.

<i>Resource and Liability Accounts</i> .....	{	<i>Cash</i> <i>Bank</i> <i>Bills Receivable</i> <i>Bills Payable</i> <i>John Smith</i> <i>R. Fullerton</i> <i>J. Page</i> <i>(Stock)</i>
<i>Loss and Gain Accounts</i> .....	{	<i>Merchandise</i> <i>Expense</i>

It will be observed that this classification is based on the relation of the various accounts to the financial position of the proprietor. For that reason the Stock Acct., which shows the proprietor's standing *absolutely*, not relatively, cannot strictly be regarded as belonging to either class. It is here taken with the Resource and Liability Accts., because it closes in the same manner as the others of that class.

## CLOSING THE LEDGER.

In business it is customary, at least once a year, to make an estimate of the value of the goods on hand, and to close such accounts as shew losses and gains. The object of doing this is to find **Stock's Net worth**, which is done by carrying the net gain or net loss, as the case may be, to the Stock Account.

The accounts shewing resources and liabilities may also be closed when it is desirable to do so, and the balances may be brought down at once or transferred to an account which may be opened in the Ledger for the purpose of receiving them.

## GENERAL DIRECTIONS FOR CLOSING.

(1.) If not already done, test the equilibrium of the Ledger by taking off a Trial Balance, as described.

(2.) Open a Loss and Gain Account, if not already opened, into which to close every account that shows by the difference between its sides either a loss or a gain.

(3.) Open a Balance Account into which to close the remaining accounts in the Ledger. This account will receive all the Inventories.

(4.) If an account has an Inventory representing a Resource enter its amount on the Cr. side of the account in red ink "*By Bal. Inventory*," transferring it at once to the Dr. side of the Balance Account. But if the Inventory should represent a Liability its amount must be entered in red ink on the Dr. side of the account to which it belongs, "*To Bal. Inventory*," and then be transferred to the Cr. side of the Balance Account. The heading of the account having the Inventory will be used in the Balance Account as "*To*" or "*By Mdse.*," "*To*" or "*By Real Estate*," &c.,



and the entry will be in black ink. This being done in the case of all the accounts having Inventories, the Ledger is in a proper condition for closing.

(5.) Omitting the Stock Account, examine the next in order, so as to determine whether it shews a *resource*, a *liability*, a *loss* or a *gain*, by the difference between its sides. If a resource or a liability, is shewn enter the difference on the smaller side in red ink "*To*" or "*By Balance*," as the case may be, carrying the amount at once to the opposite side of the Balance Account, and using for explanation the heading of the account just closed. If a loss or gain is shewn enter the amount in red ink on the smaller side "*To*" or "*By Loss and Gain*," as the case may be, and transfer to the opposite side of Loss and Gain Account, using for explanation the heading of the account just closed, as "*By*" or "*To Mdse.*," "*By*" or "*To Expense*." Proceed as described until all the accounts in the Ledger are closed, except Stock, Loss and Gain, and Balance.

(6.) Take a Second Trial Balance to see if the three accounts now open are in equilibrium.

(7.) Close Loss and Gain into Stock by making in red ink, on the smaller side, the entry "*To*" or "*By Stock*." Carry the Net Gain or Loss thus found in the Stock Account and make the entry in black ink on the Cr. side, if it is a gain, but on the Dr. side if a loss. In a partnership business the net gain or loss will be divided according to the terms of contract, and entered into the partners' accounts as into Stock Account.

(8.) Close Stock (or the partners' accounts) into Balance, which ought to close itself.



## SPECIMEN LEDGER CLOSED.

<i>Dr.</i>				<i>Stock.</i>				<i>Cr.</i>			
1886				1886							
<i>Sept.</i>	<i>30</i>	<i>To Balance.....</i>	<i>1,514</i>	<i>Sept.</i>	<i>1</i>	<i>By Sundries.....</i>	<i>1,360</i>				
					<i>30</i>	<i>" Loss and Gain</i>	<i>154</i>				
			<u><i>1,514</i></u>							<u><i>1,514</i></u>	
				<i>Oct.</i>		<i>By Bal. from old</i>					
						<i>a/c.....</i>	<i>1,514</i>				

*Cash.*

1886				1886							
<i>Sept.</i>	<i>1</i>	<i>To Stock .....</i>	<i>500</i>	<i>Sept.</i>	<i>2</i>	<i>By Mdse.....</i>	<i>500</i>				
<i>"</i>	<i>3</i>	<i>" Mdse.....</i>	<i>72</i>	<i>"</i>	<i>6</i>	<i>" Bank.....</i>	<i>50</i>				
<i>"</i>	<i>8</i>	<i>" John Smith...</i>	<i>30</i>	<i>"</i>	<i>9</i>	<i>" Expense .....</i>	<i>10</i>				
<i>"</i>	<i>17</i>	<i>" R. Fullerton..</i>	<i>50</i>	<i>"</i>	<i>10</i>	<i>" R. Fullerton..</i>	<i>5</i>				
<i>"</i>	<i>18</i>	<i>" Mdse.....</i>	<i>310</i>	<i>"</i>	<i>11</i>	<i>" Expense .....</i>	<i>1</i>				
<i>"</i>	<i>20</i>	<i>" R. Fullerton..</i>	<i>100</i>	<i>"</i>	<i>22</i>	<i>" ".....</i>	<i>10</i>				
				<i>"</i>	<i>"</i>	<i>" Bank.....</i>	<i>200</i>				
				<i>"</i>	<i>25</i>	<i>" Bills Payable..</i>	<i>60</i>				
				<i>"</i>	<i>28</i>	<i>" Expense .....</i>	<i>1</i>	<i>20</i>			
				<i>"</i>	<i>30</i>	<i>" Balance.....</i>	<i>224</i>	<i>80</i>			
			<u><i>1,062</i></u>							<u><i>1,062</i></u>	
<i>Oct.</i>	<i>1</i>	<i>To Bal. on hand..</i>	<i>224 80</i>								

*Merchandise.*

1886				1886							
<i>Sept.</i>	<i>1</i>	<i>To Stock .....</i>	<i>820</i>	<i>Sept.</i>	<i>3</i>	<i>By Cash .....</i>	<i>72</i>				
<i>"</i>	<i>2</i>	<i>" Cash.....</i>	<i>500</i>	<i>"</i>	<i>4</i>	<i>" R. Fullerton..</i>	<i>115</i>				
<i>"</i>	<i>15</i>	<i>" Bills Payable..</i>	<i>60</i>	<i>"</i>	<i>7</i>	<i>" J. Pace.....</i>	<i>335</i>				
<i>"</i>	<i>27</i>	<i>" ".....</i>	<i>27</i>	<i>"</i>	<i>13</i>	<i>" Bills Rec.....</i>	<i>122</i>				
<i>"</i>	<i>30</i>	<i>" Loss and Gain</i>	<i>176 50</i>	<i>"</i>	<i>18</i>	<i>" Sundries.....</i>	<i>610</i>				
				<i>"</i>	<i>29</i>	<i>" Bills Rec.....</i>	<i>149</i>	<i>20</i>			
				<i>"</i>	<i>30</i>	<i>" Bal. Inv.....</i>	<i>180</i>	<i>30</i>			
			<u><i>1,583 50</i></u>							<u><i>1,583 50</i></u>	
<i>Oct.</i>	<i>1</i>	<i>To Bal. as per Inv.</i>	<i>180 30</i>								

Dr.

*Bills Receivable.*

Cr.

1886				1886			
Sept.	8	To John Smith...	10	Sept. 30	By Balance.....	816	20
"	13	" Mdse.....	122				
"	18	" ".....	200				
"	21	" J. Pace.....	335				
"	29	" Mdse.....	149				
			20				
			816				
			20				
Oct.	1	To Bal. from old a/c.....	816				
			20				
						816	20

*Bills Payable.*

1886				1886			
Sept.	25	To Cash.....	60	Sept. 15	By Mdse.....	60	
			60				
Sept.	30	To Balance.....	27	Sept. 27	By Mdse.....	27	
			27				
					By Bal. from old a/c.....		
							27

*Bank.*

1886				1886			
Sept.	6	To Cash.....	50	Sept. 30	By Balance.....	250	
"	22	" ".....	200				
			250				
Oct.	1	To Bal. from old a/c.....	250				

*John Smith.*

1886				1886			
Sept.	1	To Stock.....	40	Sept. 8	By Sundries.....	40	
			40				

Dr.

*R. Fullerton.*

Cr.

1886				1886			
Sept.	4	To Mdse .....	115	Sept.	17	By Cash .....	50
"	10	" Cash .....	5	"	20	" " .....	100
"	22	" Mdse .....	100	"	30	" Balance .....	70
			220				220
Oct.	1	To Bal. from old a/c .....	70				

*J. Pace.*

1886				1886			
Sept.	7	To Mdse .....	335	Sept.	21	By Fills Rec. ....	335
			335				335

*Expense.*

1886				1886			
Sept.	9	To Cash .....	10	Sept.	30	By Loss & Gain..	22 20
"	11	" " .....	1				
"	22	" " .....	10				
"	28	" " .....	1 20				
			22 20				22 20

*Loss and Gain.*

1886				1886			
Sept.	30	To Expense .....	22 20	Sept.	30	By Mdse .....	176 50
"	"	" Stock .....	154 30				
			176 50				176 50

Dr.				Balance.				Cr.			
1886				1886							
Sept.	30	To Mdse .....	180	30	Sept.	30	By Bills Pay.....	27			
"	"	" Cash .....	224	80	"	"	" Stock .....	1,514	30		
"	"	" Bills Rec. ....	816	20							
"	"	" Bank .....	250								
"	"	" R. Fullerton..	70								
				<hr/>					<hr/>		
				1,541	30					1,541	30
				<hr/>					<hr/>		

NOTE.—The student will notice that the closing entry of the Loss and Gain Acct. always shews the *Net Loss* or *Net Gain*; and, also, that the closing entry of the Stock Acct. always shews the *Net Insolvency* or *Net Worth*. He will observe, too, that all the *Resources* appear on the Dr. side of the Balance Acct., and all the *Liabilities* on the Cr. side.

### EXERCISE II.

1. Invested in business, cash \$150; goods in store, \$100.
2. Bought for cash 12 bush. Wheat at \$1.10.
3. Sold John Smith, on account, 2 bbls Apples at \$1.20.
4. Paid clerk's salary, \$10.
5. Received from John Smith \$1.50, on account.
6. Deposited in Bank \$30.
7. Bought, on my note at 60 days, 200 lbs. Sugar at 7c.
8. Sold James Jones, on his note, 10 bush. Wheat at \$1.
9. Paid for Coal for fuel, \$2.
10. Bought of John Smith, on account, 100 lbs. Pork at 5c.
11. Withdrew \$20 from Bank.
12. Paid rent, \$5. Goods unsold worth \$130.

- (a) Make in proper form the Day Book entries.
- (b) Transfer to the proper accounts in the Ledger.
- (c) Make out the statements and close the Ledger.
- (d) What are the different ways of finding the Net Worth?

### EXERCISE III.

- Oct. 1, 1886.—Invested in business cash \$400; 150 lbs. tea at 45c.
- " 2. Sold Henry Brown, on account, 20 lbs. tea at 50c.
- " 4. Bought 12 bbls. Apples from L. McKay at \$1.10. Gave in payment my note at 30 days.
- " 5. Deposited in Bank \$300.
- " 8. Sold M. Nagle 3 bbls. apples at \$1.20, on account.
- " 11. Sold James Ross, for his note at 3 months, 8 bbls. apples at \$1.20
- " 12. Sold D. McCown 1 bbl. apples at \$1.20, and 50 lbs. tea at 50c.
- " 13. Sold remainder of goods on hand for \$40 cash.

- (a) Make the Day Book entries.
- (b) Post directly from the Day Book.

(c) What appears on the Dr. side of Mdse.? What on the Cr.? What does the difference shew?

(d) What does the difference between the sides of the Bank Account shew? The Cash Account? Henry Brown's account?

### RECORD OF TRANSACTIONS.—SET II.

- Oct. 1, 1886.—(Student's Name) commenced business, investing as follows:  
 Cash, \$2,500; John Morrison owes on acct., \$40; Jas. Jones holds a note against me for \$60.
- " 2. Bought of J. Ross on acct., 4 bbls, Sugar, 1,000 lbs. net., at 10c.
- " 4. Deposited in Bank \$500.
- " 5. Sold David McNaughton, 2 bbls. Sugar, 500 lbs. net., at 11c. Received in payment an order on Thomas Brown.
- " 6. Bought of L. Porteous for cash, 10 chests Y. H. Tea, 600 lbs., at 70c.
- " 7. Bought on my note at 60 days, from L. Mason, 2 hhds. Molasses, 126 gals., at 75c.
- " 9. Sold R. Fullerton, on his note at 30 days, 4 chests Y. H. Tea, 240 lbs., at 75c.
- " 12. (Student's Name) withdrew Cash for private use \$100.
- " 14. Sold John Robinson 30 gals. Molasses at 80c.; 300 lbs. Sugar at 11c. Received in payment his note at 10 days for \$40, an order on James Jones for \$10, and cash for balance.
- " 15. Paid Cash for Office Furniture, \$30.
- " 16. Paid my note favor James Jones with cash, \$60.
- " 18. Withdrew from the Bank \$200.
- " 19. Received from John Morrison on acct. cash, \$30.
- " 21. Prepaid my note favor of L. Mason. Face, \$94.50; discount allowed, \$2.50. Paid balance in cash. [Discount is here allowed in my favor, therefore I must give credit to the Interest and Discount Account for \$2.50. As Interest and Discount are in effect the same, only one account is commonly kept for both.]
- " 25. Received from Thomas Brown cash on account \$40.
- " 28. Sold D. Cameron, on his note at 10 days, 50 gals. Molasses at 80c.
- " 29. John Robinson paid his note, received 14th inst., with cash, \$—
- " Paid one month's rent, \$40.

### *Inventories, Oct. 30th.*

Mdse.—200 lbs. Sugar at 10c.....	\$ 20 00
360 lbs. Tea at 70c.....	252 00
46 gals. Molasses at 75c.....	34 50
<b>Total.....</b>	<b>\$306 50</b>

Set II. is to be worked out according to the instructions given for Set I.



Allow 5 lines for the Mdse. Acct., 8 for the Cash Acct., 4 for the Bills Rec. Acct., and 3 for each of the others. The following statement is to be made and the Ledger closed as in Set I.

*Combined Statement—Set II.*

ACCOUNTS IN LEDGER.	L. F.	DR.	CR.	RESOURCES.	LIABILITIES.	LOSSES.	GAINS.
Stock . . . . .		160	2,540				
Cash . . . . .		2,817	1,242	1,575			
Merchandise . . . . .		614 50	332	306 50			24
Bills Receivable . . . . .		260	40	220			
Bills Payable (closed) . . . . .		154 50	154 50				
Thos. Brown . . . . .		55	40	15			
John Morrison . . . . .		40	30	10			
Jas. Jones . . . . .		10		10			
Bank . . . . .		500	200	300			
Jas. Ross . . . . .			100		100		
Expense . . . . .		70				70	
Interest & Discount . . . . .			2 50				2 50
Stock's net invst. . . . .							\$2,380
" " loss . . . . .							43 50
" " worth . . . . .					2,336 50		
		4,681	4,681	2,436 50	2,436 50	70	70

## CHAPTER III.

### BUSINESS FORMS.

In this chapter a number of business forms of a simple character are given. The pupil will require to become familiar with these, as it is necessary for a person keeping a set of books to be able to write off-hand any invoices, bills, notes, &c., that may be required in connection with transactions. Besides this, the study of business forms gives the pupil more definite ideas of the real nature of many of the transactions themselves than could otherwise be attained.

### BILLS AND ACCOUNTS.

A Bill is a detailed statement given by the seller to the buyer shewing the quantity, quality and price of goods sold or services rendered. The date of the transaction and the names of the buyer and seller must also appear on it.

A bill is receipted when the words "Received Payment," or other words to the same effect, are written at the bottom of it followed by the signature of the creditor.

When goods are bought on account a bill of them should always be taken.

## EXERCISE I.

Sept. 13, 1886. The Central Store, Port Elgin. J. K. Lamont buys of H. Muir & Co., on account, 20 yds. of Factory Cotton at 11c.; 12 yds. Cashmere at \$1.10; 30 yds. Scotch Tweed at \$1.20; 25 lbs. Sugar at 9c.; 10 lbs. Black Tea at 75c.; 9 lbs. Japan Tea at 60c.; 7 lbs. Java Coffee at 40c.

(a) Make out the bill on the last day of Sept.

(b) Receipt it in full on Oct. 1.

*Port Elgin, Sept. 30, 1886.*

*Mr. J. K. LAMONT,*

*Bought of H. MUIR & CO.*

1886									
Sept.	13	To 20 yds. Factory Cotton...	at	11	2	20			
		" 12 " Cashmere.....	"	1 10	13	20			
		" 30 " Scotch Tweed.....	"	1 20	36				
		" 25 lbs. Sugar.....	"	9	2	25			
		" 10 " Black Tea.....	"	75	7	50			
		" 9 " Japan ".....	"	60	5	40			
		" 7 " Java Coffee.....	"	40	2	80			
							69	35	
Oct.	1	Received Payment,							
		H. MUIR & CO.,							
		* per L. N.							

## EXERCISE II.

Oct. 14, 1886. The Dry Goods Palace, Kincardine, Ont. Peter Cameron buys of McGillivray & Kennedy, on account, 20 yds. Print at 8½c.; 40 yds. Muslin at 13c.; 25 yds. Flannel at 32c.; 4 Silk Ties at 50c.; 2 doz. Handkerchiefs at 14c. each; 2½ yds. Tweed at 85c.

Oct. 18, 1886. Peter Cameron buys of McGillivray & Kennedy 13 yds. Ribbon, at 25c.; 3½ yds. Silk Velvet at \$3.

Oct. 23. Peter Cameron pays cash \$10.

(a) Make out and render the bill at the end of the month.

(b) Render a statement of this on the last day of November.

[When a bill has been rendered, but not settled at the proper time, it is not customary to give the items again unless they are demanded. It is considered sufficient to refer to the itemized bill by using the words, "To account rendered," or "To Bal. of old account." The latter is used if a part has been paid.]

\* This bill is receipted by a clerk having authority to attach the signature of H. Muir & Co. to such papers. The letters "L. N." are his initials.

## EXERCISE III.

Oct. 4, 1886. The City Book Store, Winnipeg, Man. S. H. McMahon buys of Alex. M. Calder, on account, 2 High School Algebra at 75c.; 3 Mason's Grammar at 90c.; 2 Campbell's Geography at 75c.; 1 Smith's Conic Sections at \$2.60; 2 Gage's Physics at \$1.50.

Oct. 11, 1886. S. H. McMahon buys of Alex. M. Calder 2 Hallam's Constitutional History of England at \$1.75.

Oct. 26. S. H. McMahon pays, on account, cash \$5.

Dec. 6. S. H. McMahon pays cash in full of account.

(a) Render the bill Oct. 30.

(b) Render a statement Nov. 30.

(c) Receipt the statement Dec. 6.

## INVOICES.

An **Invoice** is a detailed description of goods shipped or delivered, shewing the marks, quantities, and values of all packages, &c. An invoice is sent by the seller to the buyer, and it should have in it the names of these parties, as well as the date and place of sale.

When goods are shipped to another country a **certified invoice** should be sent, as such will be required by the collector of customs.

*Montreal, Jan. 1, 1887.*

*Messrs. SMITH & CO.,*

*Barrie, Ont.*

*Bought of MURRAY & FISHER,*

*Importers and Wholesale Dealers in Groceries.*

Forwarded by G. T. R.

Terms—Note at 4 mos.

4	Bags Coffee, Java, 221-4, 222-4, 229-5, 226-5, <sup>898</sup> / <sub>18</sub>	880	0.22	193	60
3	Bbls. Sugar, Granulated, 262-22, 293-23, 273-22, <sup>828</sup> / <sub>67</sub>	761	0.09 $\frac{1}{4}$	70	39
	Cartage. ....				25
				264	24

## RECEIPTS.

A **Receipt** is a written acknowledgment of having received money or other value.

When a person pays value which *has been charged* he should take a receipt for it.

*(Receipt in Full of Account.)*

\$15. TORONTO, July 1, 1886.  
 Received from N. D. McKinnon Fifteen Dollars in full of account.  
 H. A. LANGDON.

*(Receipt for Payment on Account.)*

\$15. TORONTO, July 1, 1886.  
 Received from N. D. McKinnon Fifteen Dollars on account.  
 H. A. LANGDON.

*(Receipt for Rent.)*

\$150, TORONTO, July 1, 1886.  
 Received from L. Mason, One Hundred and Fifty Dollars in payment for rent of Stores Nos. 220 and 222 Yonge St., for quarter ending June 30, 1886.  
 W. WEST & CO.

*(Agent's Receipt.)*

\$10. OSHAWA, May 29, 1886.  
 Received from James Jones, Ten Dollars in full of his account with Hugh Black.  
 JACOB R. RUSSELL,  
*Agent.*

*(Receipt for Interest Due.)*

\$70. CLINTON, July 1, 1886.  
 Received from B. Keillor Seventy Dollars in full for one year's interest, due this day on his mortgage to me, dated February 4th, 1880, for Seven Hundred Dollars.  
 WILLIAM MILLS.

*(Indorsement on Note.)*

\$30. PEMBROKE, Oct. 1, 1886.  
 Received on account of the within note Thirty Dollars.  
 C. W. MILNE.

*(Receipt for Borrowed Money.)*

\$300. SOUTHAMPTON, May 1, 1886.  
 Received from C. A. Leeds Three Hundred Dollars, which I promise to pay on demand with interest from date.  
 D. M. SINCLAIR.

*(Receipt for Note.)*

\$300. SOUTHAMPTON, May 10 1886.  
 Received from L. M. Cassidy his note of this date at sixty days for Three Hundred Dollars in full of account to the 30th ult.  
 D. MCGILLIVRAY.

## DUE BILL.

A **Due Bill** is a written acknowledgment of a debt.

*(Non-negotiable.)*

\$100.

OSHAWA, Dec. 10, 1886.

Due John S. Pace to be paid to himself only, on demand, One Hundred Dollars.

H. A. TAYLOR.

*(Negotiable by Indorsement.)*

\$100.

OSHAWA, Dec. 10, 1886.

Due John S. Pace, or order, on demand, One Hundred Dollars.

H. A. TAYLOR.

The Due Bill given above is said to be negotiable because J. S. Pace can transfer it to a third party after writing his name on the back of it. Both Pace and Taylor will be held responsible for payment of it. By **Negotiable Paper** we mean all notes, due bills, drafts, &c., which can be legally transferred as value from one to another, the holder having the right to sue for payment at the time of maturity in his own name.

*(An I. O. U.)*

\$100.

OSHAWA, Dec. 10, 1886.

I. O. U. One Hundred Dollars.

H. A. TAYLOR.

A simple I. O. U., containing no promise to pay, is not negotiable.

## CREDIT NOTES.

A **Credit Note** is an acknowledgment of the return of goods or of an error in an Invoice. In form it is the same as an Invoice, with the exception that the words "Credited by" must be used instead of "Bought of."

## ORDERS.

An **Order** is a written request for the payment of money or the delivery of goods, on account of the person whose signature is attached to it.

*(Non-negotiable.)*

\$140.

GRIMSBY, June 25, 1886.

Messrs. Carey & Co. please pay James Hutcheson only, One Hundred and Forty Dollars and charge to the account of

MOLLOY & WILSON.

*(Negotiable by Indorsement.)*

\$100.

ST. CATHARINES, May 1, 1886.

Messrs. Tait & Co. please pay W. Lamb, or order, One Hundred Dollars and charge to my account.

H. P. McLAREN.

If W. Lamb wishes to transfer the order given above to another person he must sign his name across the back of it. When he does this he is said to *indorse* it.



*(Negotiable without Indorsement.)*

MONTREAL, Oct. 1, 1886.

MESSRS. MCKAY &amp; Co.

Gentlemen,—Please deliver to H. A. Conn, or bearer, goods from your store to the value of One Hundred Dollars and charge to my account.

\$100.

J. W. RANKIN.

## EXERCISE IV.

November 1, 1886. Bought of H. Muir & Co. 120 yds. Tweed at 90c. Gave in payment an order on Thomas Craig for \$100, and cash for balance.

November 2. Sold S. Kennedy 27 yds. Carpet at 60c.; 13 yds. Broadcloth at \$4.20; 5 yds. Farmer's Satin at 55c. Received in payment an order for \$4<sup>00</sup>, drawn by S. H. Tate on P. Bruce, indorsed by S. Kennedy, and cash for balance.

November 4. Returned goods valued at \$25 to A. Allen, and received a due bill for that amount in goods.

(a) Write the order on Thomas Craig.

(b) Write the order received from S. Kennedy and indorse it properly.

(c) Write the due bill received from A. Allen.

## PROMISSORY NOTES.

A **Promissory Note** is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person, or to bearer.

The person who promises to pay is called the **maker**, and the person in whose favor the promise is made is called the **payee**.

*Requisites of a Note.*

- (a) There must be a *promise in writing*.
- (b) The promise must be for the payment of *money*.
- (c) The sum of money must be *specified*.
- (d) The sum specified must be payable *unconditionally*.
- (e) The time specified for payment must be *sure to arrive*. [If no time for payment is expressed it will be payable on demand.]
- (f) There must be a *valuable consideration* to support it.
- (g) It must be made by a person capable of becoming legally *accountable for the payment of it at maturity*.

*(Non-negotiable.)*

CLINTON, April 10, 1886.

\$400.

Three months after date I promise to pay J. Y. Morris only, Four Hundred Dollars, value received.

E. A. HODGSON.

When a note (or bill) contains words clearly prohibiting transfer, it is a *non-negotiable* instrument, and must therefore be held by the payee till it falls due.

*(Negotiable by Indorsement.)*

CLINTON, May 24, 1884.

\$2,000.

Four months after date, I promise to pay A. Forrester, or order, Two Thousand Dollars, value received.

E. A. HODGSON.

A transferable note is usually made payable to the *order* of the payer or to *bearer*. The omission of the words "order" or "bearer" does not, however, prohibit transfer.

If A. Forrester wishes to transfer the foregoing note, it being payable to his order, he must indorse it by signing his name across the back of it.

The maker of a note is the one *primarily* liable, but each indorser is liable to succeeding holders in default of payment by the maker. A subsequent indorser is not liable to a prior indorser.

When the payee writes only his name the indorsement is said to be *in blank*, and it has the effect of rendering the note payable afterwards to any *bona fide* holder. The payee thus becomes the indorser and as such is responsible for payment.

If the payee writes above his signature, "Pay to the order of A.," the indorsement is *in full*. In this case A. will have to indorse the note in order to transfer it.

If the payee writes above his signature, "Pay to A. only," or "Pay to A. on account of B.," or "Pay to A., or order, for collection," the indorsement is *restrictive*. This indicates that A. is merely an agent to receive the money, and not a purchaser of the note.

In case the indorser does not wish to render himself liable for payment, he should write "Without recourse" above his name.

An indorsement must comply with the following conditions :

(i) It must be written on the note itself, and be signed by the indorser either in his own handwriting, or in that of some one duly authorized by him.

(ii) It must be an indorsement of the entire note; *i.e.*, it must transfer the whole amount payable to the indorsee.

(iii) If there are two or more payees, it must be made by all of them, unless they are partners, or one of them is duly authorized to indorse for all.

*(Negotiable without Indorsement.)*

TORONTO, July 1, 1886.

\$10.

Thirty days after date, I promise to pay John Smith, or bearer, Ten Dollars, value received.

W. McMANN.

When a note is made payable to *bearer* it is negotiable without indorsement, delivery being all that is necessary.

In calculating the date of maturity of a note three days must be allowed after the time expressed, that is, it falls due on the third day after its term has expired. If this day is one of public rest, the note is not due till the following day. The three days allowed are termed *days of grace*. These vary in different countries.

When the term of a note is given in months, calendar months are meant, and no allowance is made for a deficiency in the number of days in any month. This being the case, the pupil will see that four notes drawn at 2 months and bearing dates Dec. 28, Dec. 29, Dec. 30, Dec. 31 respectively, will become due on the same day, viz.: March 3 of the next year.

The day on which the note is dated is not counted in computing the date of its maturity.

*(Payable at Bank.)*

PORT ELGIN, April 13, 1886.

\$40.

Sixty days after date I promise to pay John Wilson, or order, Forty Dollars at the Bank of Hamilton here, value received.

J. J. SCOTT.

When a note becomes due, which happens on the third day after the time expressed, it *must be presented for payment* during business hours at the place mentioned in it. If no place is stated, it should be presented at the maker's place of business or at his residence.

Unless a note is presented on the very *day of maturity* the holder loses his remedy against the indorsers, although the maker is still liable.

Should the maker refuse to pay it, the proper demand being made, it is then the duty of the holder *to give due notice* to all parties to it. He may have it protested if he chooses.

A **protest** is a declaration on the part of the holder of a note or bill against any loss to be sustained in consequence of non-payment when it becomes due.

The payment of a note must be made within business hours on the day of its maturity to the true holder or his representatives.

The person paying a note has a right to a receipt, which is usually written on the back of the note.

*(Negotiable with Interest.)*

DUNDAS, May 1, 1886.

\$1,200.

Thirty days after date, I promise to pay J. T. Ross, or bearer, Twelve Hundred Dollars, with interest at eight per cent., value received.

H. K. LAMONT.

The foregoing note bears interest at 8 per cent. for a period of 33 days, beginning May 2 and ending June 3. In default of payment on the latter date, it afterwards bears interest at the legal rate until it is paid. When it is the intention to make a note bear a specified rate of interest after maturity as well as before, words expressing this clearly should be inserted.

In case no payment is made on a note within six years after the date of maturity, or after the date of the last payment made subsequently, the note ceases to be a legal obligation.

*(Payable on Demand.)*

ST. CATHARINES, May 1, 1886.

\$200.

On demand, I promise to pay Jonas Clark, or order, Two Hundred Dollars, value received.

D. McDOUGALL.

No days of grace are allowed on demand notes.

*(Joint Note.)*

WALKERTON, June 1, 1886.

\$950.

Three months after date, we promise to pay S. L. Cameron, or order, Nine Hundred and Fifty Dollars, value received.

BENJAMIN LAWTON.  
A. S. AMOS.

If a note is signed by two or more persons, and if the promise to pay is expressed thus, "We promise, &c.," as in the foregoing, it is termed a *joint note*.

If payment is not made, the makers should be sued jointly.

*(Joint and Several Notes.)*

BRANTFORD, May 3, 1886.

\$150.

One year after date, we jointly and severally promise to pay Peter Cooper, or order, One Hundred and Fifty Dollars, value received.

L. SMITH.

J. MACPHERSON.

If a note signed by two or more persons contains the words "I promise, &c.," or "We jointly and severally promise," it is termed a *joint and several* note.

The foregoing note is, so far as security to the holder is concerned, the same as any one of the following, viz. : The joint note of L. Smith and J. Macpherson, the note of L. Smith and the note of J. Macpherson.

## ACCOMMODATION NOTES.

An **Accommodation Note** is one to which a person has put his name as indorser, without value passing, merely to accommodate some other party by enabling him to get it discounted.

The note is made payable to the order of a certain person, who indorses it and gives it back to the maker. Being thus rendered negotiable the maker can get it discounted, as both he and the indorser are liable for payment to the holder.

## CHATTEL NOTES.

A **Chattel Note** is a written promise to pay otherwise than in money.

SOUTHAMPTON, Oct. 1, 1886.

\$100.

Thirty days after date, I promise to pay Jas. Wilson One Hundred Dollars worth of good timothy hay at eight dollars per ton, to be delivered at Port Elgin, Ont.

A. H. ROBINSON.

## CHECKS.

A **Check** is a written order on a bank, made by one having money deposited therein, for the payment of a specified sum to a certain person or to his order, or to bearer.

When a check is drawn payable to the order of the person named in it he must indorse it before he can transfer it.

A check should be presented for payment within banking hours not later than *one day* after that one on which it is received.

In filling a check the particulars should be entered first on the stub.

No. ....	:	No. ....	TORONTO, .....	188 .....
Date ..... 188 .....	:	THE BANK OF TORONTO		
.....	:	Pay to .....		
Favor of .....	:	or Bearer,		
.....	:	..... 100 Dollars.		
\$ .....	:	\$ .....		



## EXERCISE V.

Sept. 1, 1886. Bought of H. Corbett goods valued at \$120. Gave in payment my note at 30 days for \$75, and an order on Henry Brown for balance. Sold P. Cooper goods valued at \$25.50. Received in payment John Thompson's note at 2 months, dated Aug. 24, 1886. Face of note \$25.50. Bought of S. Jarrett 16 cords of Wood at \$2 per cord, to be paid in goods from store. He took goods valued at \$10, and I gave him a due bill for the balance.

- (a) Write the note given to H. Corbett and also the order.
- (b) Write the note received from P. Cooper.
- (c) Write the due bill given to S. Jarrett.
- (d) Define negotiable paper. What does it embrace?

## EXERCISE VI.

Sept. 2, 1886. Bought of A. McKay 300 bbls. Apples at \$1.20; 40 bush. Wheat at 70c.; 120 bush. Oats at 30c. Gave in payment my check on the Molsons Bank for \$120; an order on J. Taylor for \$100; H. Kennedy's note in my favor, dated May 24th, 1886, and drawn at 5 mos. for \$70; and my own note at 30 days, payable at the Molsons Bank, for the balance.

- (a) Write the invoice received from A. McKay.
- (b) Write the check, the order, and the two notes given in payment for the goods, the former being negotiable by indorsement and the latter being negotiable without indorsement.
- (c) Find the date of maturity of each note.

## EXERCISE VII.

1. Date of note, Jan. 4, 1886. Time to run, 3 mos.
2. Date of note, Feb. 28, 1886. Time to run, 3 mos.
3. Date of note, Mar. 1, 1886. Time to run, 3 mos.
4. Date of note, Mar. 31, 1886. Time to run, 3 mos.
5. Date of note, Mar. 30, 1886. Time to run, 3 mos.
6. Date of note, April 30, 1886. Time to run, 4 mos.
7. Date of note, May 1, 1886. Time to run, 4 mos.
8. Date of note, Oct. 20, 1886. Time to run, 30 days.
9. Date of note, July 15, 1887. Time to run, 90 days.
10. Date of note, Oct. 13, 1887. Time to run, 60 days.

- (a) Find the date of maturity of each of the foregoing notes.
- (b) Explain why it is that there are four days between the dates of maturity in (2) and (3).
- (c) Why is it important to know exactly the day on which a note becomes due? Explain fully.



## CHAPTER IV.

This chapter presents a number of sets for practice. In order to test the pupil's knowledge of the preceding chapters, as well as to teach him self-reliance, he is required to work out each set for himself. The results and only such hints as experience has proved absolutely necessary are given.

Two very important auxiliaries are introduced in connection with Set IV., viz., the Cash Book and the Bill Book.

Set VI. illustrates the Day Book and Journal combined.

## EXERCISE I.

1. Sold Peter Smith, on account, goods \$20.
2. Sold James Jones, for cash, goods \$40.
3. Sold Peter Cooper, on his note, goods \$10.
4. Bought goods for cash \$20.
5. Bought goods, on account, from M. L. Hay, \$5.
6. Bought goods, on my note, from M. L. Hay, \$5.
7. Paid M. L. Hay, on account, \$5.
8. A. Mann paid me, on account, cash \$6.
9. Peter Cooper paid his note with cash \$10.
10. Gave my note for goods, \$30.
11. A. H. Hay settled with me by giving me his note in full of account, \$40.
12. Gave my note for \$10 to John Jamieson, on account.
13. Deposited in Bank cash \$100.
14. Lent M. L. Hay \$50.
15. M. L. Hay returned the money lent.
16. Peter Smith paid, on account, cash \$10.
17. James Jones gave me Mdse. in payment of his account, \$30.
18. Sold Mdse. to H. Huston, \$30. Received in payment cash \$20, and his note for the balance \$10.
19. Lost cash from my pocket \$5.
20. Bought a pair of gloves for cash \$1.
21. Paid for advertising, cash \$20.
22. Sold Mdse. to H. Huston and received in payment my own note which he held, \$70.
23. Paid cash for a suit of clothes, \$20.
24. Gave my note for a suit of clothes, \$20.
25. Sold 5 suits of clothes to J. Benson at \$20. \$100.

(a) Journalize the foregoing transactions. [This is intended as an oral exercise to test the pupil's knowledge of the rules given.]

**SET III.—GROCERY AND PROVISION BUSINESS.***Books used—Day Book and Ledger.***RECORD OF TRANSACTIONS.**

- CLINTON, Sept. 1, 1886.**—Leased a store of H. R. Mann at \$15 per month and commenced business investing cash \$340.
2. Bought of A. McHardy, on account, goods invoiced at \$500.  
Paid Cash for Fuel \$5.
  3. Sold A. H. McCorvie for cash 25 lbs. Tea at 50c.; 1 box Starch at 90c.; 3 boxes Blacking at 10c. Paid cash for Coal Oil \$1.50.
  6. Paid A. McHardy cash, on account, \$300.
  8. Sold C. Dingman 10 lbs. Tea at 60c.; 25 lbs. Coffee at 30c.; 35 lbs. Sugar at 9c.; 2 bbls. Flour at \$5.50 per bbl. Received in payment cash \$10, the balance to remain on account, \$—.
  10. Paid cash for Postage \$1.20; for Advertising \$1.50.
  13. Received from C. Dingman cash, in full of account, \$—.
  15. Sold out my stock of goods for cash \$495.35. Paid H. R. Mann half a month's rent with cash \$7.50.

*(a) Make the Day Book entries.**(b) Transfer from the Day Book to the Ledger.**(The Journal is unnecessary as the transactions are of a simple character.)**(c) Take off a Trial Balance and make the statements.**(d) Close the accounts.*

Result.—Net Gain, \$20. Present Worth, \$360. Cash on Hand, \$560.

**SET IV.—EXPLANATIONS.**

Two very important books are now brought before the notice of the pupil for the first time. The **Cash Book** receives the entries of all cash transactions, and the **Bill Book** the particulars of all notes, &c., connected with the business. The pupil will enter each transaction first into the **Day Book**. He will then enter it into the **Cash Book** if it is a cash transaction, and into the **Bill Book** if a note is involved. He will observe that a transaction may affect both of these books, or only one of them. As soon as the posting for October is completed a Trial Balance will be taken off, and after the Ledger is found to be in equilibrium a statement of Losses and Gains, and also a statement of Resources and Liabilities will be made. The accounts showing losses and gains will then be closed into the Loss and Gain account, which in its turn will be closed into Stock, or the Proprietor's account. The investment for the second month will be taken from the statement of resources and liabilities for the first. All the accounts in the Ledger for November will be closed after the proper statements are made.

## SET IV.—FURNITURE BUSINESS.

(FIRST MONTH'S TRANSACTIONS.)

*Books used—Day Book, Journal, Ledger, Cash Book and Bill Book, the two latter being auxiliaries.*

## RECORD OF TRANSACTIONS.

- Oct. 1, 1886. ( Student's Name ) has this day commenced the furniture business, investing as follows: Cash, \$1,200; Furniture on hand, \$800.  
 J. Ross owes, on account, \$30; L. Mason has to his credit \$40.  
 2. Bought of J. Richardson, on my note at 60 days, 2 doz. Bedsteads at \$3 each.  
 5. Sold J. Ross for cash 2 Centre Tables at \$15; 5 French Bedsteads at \$20.  
 6. Bought of J. Richardson for cash 10 Arm Chairs at \$5; 6 Extension Tables at \$25.  
 7. Sold G. Johnson, on his note at 60 days,  $\frac{1}{2}$  doz. Kitchen Chairs at \$6 per doz.; 1 Extension Table at \$28; 1 Easy Chair at \$7.50.  
 8. Deposited in the Merchant's Bank \$1,000.  
 9. Bought from F. Hood 2 tons of Coal for fuel at \$7. Gave in payment my check.  
 11. Sold A. Hilker, on account, 5 carved Blk. Walnut Chairs at \$6.  
 16. Paid clerk's salary with check \$10.  
 19. Paid cash for Insurance \$20.  
 20. Sold N. McKinnon for cash 1 corner What-not, Blk. Walnut, at \$10.  
 21. Sold G. McKay 1 Blk. Walnut Parlor Suite, \$150. Received in payment his note at 30 days for \$100 and cash for balance.

*Cash Received.*

1886						
Oct.	1	( <u>Student's Name</u> ) ....	Investment.....	1,200		
"	5	Mdse.....	Sold J. Ross.....	130		
"	20	" .....	" N. McKinnon.....	10		
"	21	" .....	" G. McKay .....	50		
"	27	A. Hilker .....	On Account .....	20		
"	30	Mdse.....	Sold J. Bruce .....	60		1,470
						1,470
Nov.	1	Balance .....	Cash on hand.....	247	80	

22. Bought Mdse., as per Invoice, from W. Tinsdale, \$300. Gave my note at 2 months for \$100, my check for \$100, the balance to remain on account.
23. Paid \$2.20 for Postage and Stationery.
26. Sold J. Ross, on account, 2 Extension Tables at \$30.
27. Received from A. Hilker, on account, cash \$20.
29. Sold H. Calder, on account, 1 Parlor Suite, \$60.
30. Sold for cash to J. Bruce 2 Extension Tables at \$30. Paid clerk's salary with check, \$10.

**Inventory.**—Goods unsold valued at \$883.50.

Result.—Net Loss, \$6.20 ; Net Capital at the beginning of November, \$1,983.80.

## SET IV.—CASH BOOK.

The **Cash Book** is kept for the purpose of recording all Cash Transactions. It is customary to enter the amounts received on the left hand side, and the amounts paid out on the right hand side of the Cash Book. In an extensive business this book should be balanced every night; in a limited business once a week may perhaps be enough. The amount of money on hand as shewn by the Cash Book should correspond to that found by counting. A comparison can be made at any time without balancing the Cash Book *formally*. Should a difference exist its cause must be searched for as soon as possible, and the error corrected. When the Cash Book is used as an auxiliary care must be taken to see that it agrees with the Cash Account in the Ledger when the posting is completed.

The names of the other accounts affected appear in the column after that containing the date. The next column contains an explanation of each transaction, as can be seen by referring to the form given.

*Cash Paid Out.*

	1886						
Oct.	6	Mdse.....	Bo't of J. Richardson.....	200			
"	8	Merchants' Bank ..	Deposited.....	1,000			
"	19	Expense.....	Insurance.....	20			
"	23	".....	Postage and Stationery....	2	20	1,222	20
		Balance .....	Cash on hand.....			247	80
						1,470	

## BILL BOOK.

The **Bill Book** is kept for the purpose of recording in a form convenient for reference the particulars of written obligations, which we receive from others and which others receive from us. It is divided into two parts, into one of which are entered all the *Bills Receivable* and into the other the *Bills Payable*. This book is sometimes used as one of original entry and sometimes as an auxiliary merely. In either case it must be in harmony with the corresponding accounts in the Ledger. The simplest form is here presented. The method of entering notes, &c., in this book is so plainly seen as to need but little explanation.

The particulars are to be entered in the Bill Book at the time the notes are received or issued. This is very important, especially when this book is one of original entry.

As our notes issued are not in our own possession we must necessarily refer to the Bill Book for the particulars of them.

When a note is paid, or otherwise disposed of, the last columns are to be filled as indicated; and, as a safe-guard, a red ink line is to be ruled through the figures expressing the amount.

Great care must be taken in finding the date of maturity, as an error in this may be followed by serious consequences.

*Bills*

No.	When received.	Payer	Indorser.	For what received.	Where Payable.	DATE.		Time.
						Year.	Month.	
1	Oct.	7 G. Johnson....		Mdse.	Merchants' Bk	1886	Oct.	7 60 ds.
2	"	21 G. McKay ....		"	"	"	"	21 30 ds.

*Bills*

No.	When given.	To whom given.	In whose favor.	For what given.	Where Payable.	DATE.		Time.
						Year.	Month.	
1	Oct.	2 J. Richardson..	J. Richardson..	Mdse.	Molsons Bank.	1886	Oct.	2 60 ds.
2	"	22 W. Tinsdale...	W. Tinsdale...	"	"	"	"	22 2 m's.



## REMARKS ON CLOSING.

The pupil will bear in mind that in actual business the Ledger should be *tested* every month to see whether it is in equilibrium or not. Although this involves considerable work it is the best plan to adopt, as it often saves time and trouble. But it is only at certain times, usually once or twice a year, that an inventory is taken, and the accounts shewing losses and gains are closed. The object of this is to make the account kept with the dealer shew his true financial standing, which is effected by crediting it with the Net Gain or debiting it with the Net Loss. The difference between its sides will then shew the Present Worth. All inventories must be brought down when re-opening the accounts to which they belong respectively.

The other accounts of the Ledger, that is, those which shew resources and liabilities may or may not be closed at such a time, Under ordinary circumstances they are usually left open. But when it is desired *to mark an era in the business, to prepare for receiving a partner, or to prepare for transferring the accounts to a new Ledger*, the Resource and Liability accounts should be closed and the balances carried to the new accounts.

*Receivable.*

WHEN DUE.													Amount.		When and how disposed of.		
Year.	Jan.	Feb.	Mar.	Apr.	May.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.					
1886												9	38	50			
1886											23		100				

*Payable.*

WHEN DUE.													Amount.		When and how redeemed.		
Year.	Jan.	Feb.	Mar.	Apr.	May.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.					
1886												4	72				
1886												25	100				

## SET IV.—Continued.

(SECOND MONTH'S BUSINESS.)

## RECORD OF TRANSACTIONS.

- Nov. 1, 1886. *Pupil's* investment shewn by Balance Sheet for October.
2. Bought from J. Richardson Mdse., as per invoice, \$400. Gave in payment my note at 60 days for \$200, an order on H. Calder for \$60, and my check on Merchants' Bank for balance.
  5. Sold L. Mason, on account, 1 Blk. Walnut Bookcase at \$70.
  6. Sold A. Hilker 1 Easy Chair at \$10; 1 Sofa at \$40; 1 Black Walnut Hall Stand, \$30. Received in payment his note at 15 days for \$50 and his check for balance.
  9. Gave W. Tinsdale my note at 10 days in full of account, \$—.
  10. Paid cash for Postage and Stationery, \$3.
  11. Deposited in Merchants' Bank \$200.
  15. Received from J. Ross, on account, his note at 10 days for \$60.
  17. Received from A. Hilker his check in full of account, \$—.
  19. Sold J. Bruce 2 Centre Tables at \$30. Received in payment his note at 2 months for \$40; check for balance, \$—.
  23. Received from J. Ross, on account, cash, \$20.
  24. Bought a Stove for store, \$25, with my note at 2 months. Received cash from A. Hilker for his note, as per B. B.
  25. Bought from R. Henderson Mdse., as per Invoice, \$150. Gave in payment my check for \$100; the balance to remain on account.
  27. Paid clerk's salary with cash \$20. Paid my note favor of W. Tinsdale with check \$—.
  30. Sold by auction entire stock of goods for cash \$1,320; and Stove for cash \$20. Paid the auctioneer for his services cash \$5.

Result.—Net Gain, \$63.50; Net Capital at closing, \$2,047.30.

The pupil will make out a statement of Losses and Gains, and also a statement of Resources and Liabilities corresponding to those which follow. These are *not* to be copied, but to be taken from the pupil's ledger.

*Set IV.—Statement of Losses and Gains.*

(Taken from Ledger Nov. 30, 1886.)

		LOSSES.		GAINS.	
<i>Mdse.</i> .....	<i>Cr.—Proceeds.</i> .....	\$1,530	00		
".....	<i>Dr.—Cost.</i> .....	1,433	50		
	<i>Difference.</i> .....			96	50
<i>Expense</i> .....	<i>Dr.—Outlay.</i> .....	\$53	00		
".....	<i>Cr.—Proceeds.</i> .....	20	00		
	<i>Difference.</i> .....	33			
	<i>Net Gain.</i> .....	63	50		
		96	50	96	50

*Set IV.—Statement of Resources and Liabilities.**(Taken from Ledger Nov. 30, 1886.)*

		RESOURCES.		LIABILITIES.	
<i>Cash.</i> .....	<i>Dr.—Amount rec'd.</i> .....				
<i>"</i> .....	<i>Cr. " paid out</i> .....				
	<i>Balance on hand</i> .....	1,489	80		
<i>Mt's Bank.</i> .....	<i>Dr.—Amount deposited</i> .....				
<i>"</i> .....	<i>Cr. " withdrawn</i> .....				
	<i>Balance on deposit</i> .....	726			
<i>Bills Rec.</i> .....	<i>Dr.—Others' notes rec'd.</i> .....				
<i>"</i> .....	<i>Cr. " " parted with.</i> .....				
	<i>Balance on hand</i> .....	238	50		
<i>Bills Pay.</i> .....	<i>Cr.—Our notes issued</i> .....				
<i>"</i> .....	<i>" " redeemed</i> .....				
	<i>Notes outstanding</i> .....			397	
<i>J. Ross.</i> .....	<i>Dr.—Our a/c against him.</i> .....				
<i>"</i> .....	<i>Cr.—His a/c against us.</i> .....				
	<i>Balance in our favor</i> .....	10			
<i>L. Mason.</i> .....	<i>Dr.—Our a/c against him.</i> .....				
<i>"</i> .....	<i>Cr.—His a/c against us.</i> .....				
	<i>Balance in our favor</i> .....	30			
<i>R. Henderson.</i> ....	<i>Cr.—His a/c against us.</i> .....			50	
	<i>Net Worth</i> .....			2,047	30
		2,494	30	2,494	30
<i>Proof.</i> .....	<i>Net Investment</i> .....\$1,983 80				
	<i>" Gain, as per Statement</i> .... 63 50				
	<i>" Worth</i> ..... 2,047 30				

**SET V.—DRY GOODS BUSINESS.***Books used—Day Book, Journal, Cash Book, Bill Book and Ledger.*

KINCARDINE, July 1, 1886. Commenced business investing as follows:—  
 Goods on hand, \$1,200. Cash in safe, \$30. Money deposited in the Molsons Bank, \$400.

2. Bought of Smith & Sons goods invoiced at \$360. Gave in payment a check on the Molsons Bank for \$300 and my note at 90 days for balance \$—. Paid cash for Postage 50c., and for Telegram 25c.

3. Sold R. W. Wismer, on account, 20 yds. Black Satin at \$2; 40 yds Brussels Carpet at \$1.50; 2 prs. Kid Gloves at \$1.50; 3 yds. Ribbon at 35c.
  5. Paid cash for Fuel, \$15.50. Lent Jas. Smith cash \$6.50.
  7. Sold A. C. Moore 30 yds. Blk. Cashmere at 90c.; 10 yds. Velvet at \$1.60; 20 yds. Carpet at 70c. Received in payment his check for \$47 and an order on A. McKay for balance.
  9. Paid cash for Postage, \$1.30. Paid S. Reid's written order in goods, \$17.50. Received from R. W. Wismer, on account, his check on the Molsons Bank for \$40.
  10. Received from Jas. Smith his note at 30 days in full of account \$6.50.
  12. Paid cash for repairing store, \$3.60.
  14. Sold A. Cameron, on his note at 10 days, 20 yds. Gingham, 12½c.; 10 yds. Flannel at 30c.; 40 yds. Cotton at 11c.; Thread, 12c.; Buttons, 10c. Received from S. Reid cash in full of account \$—.
  15. Sold A. McKay 120 yds. Sheeting at 12c.; 15 yds. Tweed at \$1.50; 3 yds. Farmer's Satin at 60c.; 12½ yds. Cassimere at \$1.10. Received in payment his check for \$20, the balance to remain on account, \$—.
  16. Received from R. W. Wismer, on account, cash \$30. Paid for Coal Oil cash \$1.20.
  20. Received from A. McKay, on account, his check for \$15.
  23. Sold Jas. Smith, on account, 15 yds. Tweed at 90c.; 13 yds. Broadcloth at \$2.60.
  26. Deposited in the Molsons Bank cash \$60.
  27. Lent R. Rainer a \$5 bill.
  29. Received from R. W. Wismer his note at 30 days for balance of account, \$—.
  31. Paid Clerk's salary with my check on the Molsons Bank, \$30.
- Inventories, July 31st.—Mdse., Goods on hand, \$1,338.81; Expense, Fuel on hand, \$5.50.

(a) Make the proper Day Book, Cash Book and Bill Book entries as they occur, writing all the business papers required.

(b) Transfer to the Journal and thence to the Ledger, indexing each entry.

(c) Test the equilibrium of the Ledger and then make the proper statements.

(d) Close the accounts in the Ledger.

Result.—Cash on hand, \$105.65. Cash in Bank, \$130. Net Gain, \$20.38. Present Net Capital, \$1,650.38.

## SET VI.—JOURNAL DAY BOOK.

Set VI. is intended to illustrate a somewhat practical method of keeping accounts. The pupil who has written carefully the previous sets and



mastered them will find but little difficulty in combining the Day Book and Journal. The *Journal entry* is given first in order in plain writing of medium size. This is followed by a *full description* of the transaction in as concise a form as possible. The pupil will observe that the explanatory words should be arranged in such a manner as to be readily distinguished from the other part of the entry. To effect this, they are written in a smaller hand and placed at some distance to the right of the column for the Ledger Folio. (See the Form given on page 65.)

The advantages of this method over that exemplified by Set I. are as follows:—

- (1) Time and labor are saved.
- (2) The expenditure for books is diminished.

That shewn on page 65 will be found sufficient for illustration.

### INVOICE BOOK.

The details of purchases should be entered into the **Invoice Book**. There are different methods of dealing with invoices. Some accountants enter an abstract of each in this book, and file the original invoices in such a manner as to be convenient for reference, (See instructions for filing business papers, page 192.) Another plan is to paste each invoice when it is received into the Invoice Book, indexing it.\* When several are received from one person or firm, it is well to put as many as possible of them on the same page in order, the first being at the top, the next immediately below it, &c. The book should be made of strong, light paper, and each leaf of it should be wide enough to leave room for a money column to the right of the invoices into which to enter the amounts.

### THE INVENTORY BOOK.

The **Inventory Book** is used for recording all values of property on hand, of interest accrued, of rent paid beforehand or unpaid, of articles on hand which were charged to the Expense Account, &c.; in short, all values representing resources or liabilities in connection with loss and gain accounts.

It is necessary in business to take at stated times, an account of all such values, &c., in order to adjust the gains and losses properly.

The inventory of goods on hand is found by counting, weighing or measuring the articles in the store, and attaching to them the amounts for which they could be bought at the time. In actual practice, however, it is customary to take down the cost of any particular line and to add or subtract an estimated amount when necessary.

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\* If it is likely that a large business will be done with a house, several consecutive pages should be left blank for the invoices from it. This is especially important when the purchases of merchandise are posted from this book.



## SET VI.—GRAIN BUSINESS.

*Books used—Journal Day Book, Cash Book, Bill Book and Ledger.*

## FIRST MONTH'S TRANSACTIONS.

- CLINTON, Oct. 1, 1886. Commenced business investing as follows: Cash in safe, \$2,000. Goods in store, valued at \$600. John Smith owes me on account \$40.
2. Sold L. Mason, on his note at 20 days, 34 bush. Wheat at 75c. Paid cash for Fuel, \$10. Bought of C. Kerr, on account, goods invoiced at \$600. [As the invoices are kept in a book for the purpose or properly filed, and may therefore be referred to, it is not necessary to give the items of purchase in the Day Book.]
  4. Sold John Jamieson, on account, 140 bush. Barley at 50c.
  5. Paid cash for Stationery, \$1.50.
  6. Gave C. Kerr my note at 30 days in full of account.
  7. Sold H. Smith, on his note at 30 days, 100 bush. Wheat at 70c.; 260 bush. Barley at 50c.
  9. Paid cash for Coal Oil for use of Store, and for Lamps, \$12.50.
  11. Received from John Jamieson on account, cash, \$30; his note at one month for the balance, \$—.
  12. Withdrew from the business cash \$100.
  13. Sold to H. W. Peterie, for cash, 100 bush. Wheat at 75c.
  14. Paid Clerk's salary with cash, \$20.
  16. Bought of H. Martin 80 bush. Barley at 50c. Gave in payment John Jamieson's note for \$—.
  18. Received from John Smith, on account, an order on A. Baker for \$10.
  20. Sold M. Mullen, on his note at 3 months, 80 bush. Barley at 55c.
  23. Prepaid my note in favor of C. Kerr. Face of note \$600. Discount off, \$1.50. Proceeds paid with cash, \$598.50.
- [Debit Bills Payable; credit Int. & Dis. and Cash. Why?]
25. Received cash in payment of L. Mason's note \$—.
  27. Received from John Smith, on account, cash \$20.
  30. Paid Clerk's salary with cash \$20.

*Inventories, Oct. 30, 1886.*

Mdse.—Goods on hand.....	\$891 50
Expense.—Coal Oil.....	6 50

Result.—Net Gain, \$10; Present Worth, \$2,550.

## SET VI—JOURNAL DAY BOOK.

Clinton, Oct. 1, 1886.

Dr.

Cr.

L. F.	(Pupil's name here)..... has this day commenced the					
	Grain Business with the following Resources :—					
	<i>Sundries</i>	<i>Dr</i>	.....			
		<i>To</i>	(Pupil's name here).....			2,640
		<i>Effects invested.</i>				
	<i>Cash</i>	.....		2,000		
		<i>As per C. B.</i>				
	<i>Mdse</i>	.....		600		
		<i>As per Inventory.</i>				
	<i>John Smith</i>	.....		40		
		<i>Owes me on account.</i>				
		<i>2</i>				
	<i>B. Receivable</i>	<i>Dr</i>	.....	25	50	
		<i>To Mdse</i>	.....			25 56
		<i>Sold L. Mason on his note, as per</i>				
		<i>B. B., 30 bush. Wheat at 75c.</i>				
		<i>"</i>				
	<i>Expense</i>	<i>Dr</i>	.....	10		
		<i>To Cash</i>	.....			10
		<i>Paid for Fuel for Store.</i>				
		<i>"</i>				
	<i>Mdse</i>	<i>Dr</i>	.....	600		
		<i>To C. Kerr</i>	.....			600
		<i>Bought on a/c goods, as per Invoice</i>				
		<i>No. 1.</i>				
		<i>4</i>				
	<i>John Jamieson</i>	<i>Dr</i>	.....	70		
		<i>To Mdse</i>	.....			70
		<i>Sold him on a/c., 140 bush. Barley</i>				
		<i>at 50c.</i>				
		<i>5</i>				
	<i>Expense</i>	<i>Dr</i>	.....	1	50	
		<i>To Cash</i>	.....			1 50
		<i>Paid for Stationery.</i>				
		<i>6</i>				
	<i>C. Kerr</i>	<i>Dr</i>	.....	600		
		<i>To B. Payable</i>	.....			600
		<i>Gave on a/c. my note as per B. B.</i>				
		<i>7</i>				
	<i>B. Receivable</i>	<i>Dr</i>	.....	200		
		<i>To Mdse</i>	.....			200
		<i>Sold H. Smith on his note as per B. B.</i>				
		<i>100 bush. Wheat at 70c. .... \$ 70</i>				
		<i>260 " Barley at 50c. .... 130</i>				
		<i>Amounts forward.....</i>				
				4,147		4,147

## SET VI.—SECOND MONTH'S TRANSACTIONS.

- CLINTON, Nov. 2, 1886. Sold J. Turnbull 20 bush. Wheat at 72c.; 45 bush. Barley at 51c.; 120 bush. Oats at 26c. Received in payment his check on the bank of Montreal for \$30, and cash for balance, \$—
3. Bought of A. Megraw goods invoiced at \$540.20. Gave in payment an order on J. Smith for \$10; M. Mullen's note, dated Oct. 20, for \$44; my own note at 10 days for \$200, and cash for balance, \$—. Paid for Fuel, cash \$5. Deposited in the Molsons Bank \$1,000.
  4. Received from A. Baker, on account, cash \$10. Paid cash for Postage, \$1.10; Telegram, 25c.
  5. Sold Robert Keith, on his note at 3 months, 25 bbls. Flour at \$5.20; 40 bush. Wheat at 75c.
  6. Lent P. McCallum a \$5 bill. Discounted Robert Keith's note, dated Nov. 5, 1886, at the Molsons Bank. Face of note \$160; Discount \$6. Proceeds deposited, \$154.
  9. Received cash for H. Smith's note for \$200, which I immediately deposited in the Molsons Bank.
  11. Bought of C. Kerr 300 bush. Wheat at 70c.; 500 bush. Barley at 50c. Gave in payment my check. Sold A. Baker 200 bush. Barley at 55c.; 100 bush. Wheat at 72c.; 120 bush. Oats at 23c. Received in payment his note for \$200, and his check for balance.
  12. Prepaid my note due 16th inst. Face of note \$200. Discount off 50c. Proceeds paid with check.
  13. Paid Clerk's salary with cash \$20; P. McCallum returned the money which he borrowed, \$5.
  16. Paid cash for Office Furniture \$10. Sold P. McCallum, on account, 100 bush. Wheat at 73c.
  17. Bought of H. Sorby, on my note at 4 mos., 250 bush. Oats at 25c. Sold A. Baker, on account, 12 bush. Wheat at 72c.
  19. Received from P. McCallum, on account, cash \$30. Sold A. Baker 20 bush. Barley at 54c. Received from him H. Holman's note, dated Nov. 1, 1886, and drawn at 30 days, for \$25. Settled with A. Baker by giving him my check for balance due him, \$—.
  20. Sold J. Turnbull 25 bush. Peas at 60c.; 40 bush. Wheat at 73c. Received in payment an order on J. Craig, which by his request is passed to his account.
  23. Received from P. McCallum his check in full of account \$—
  25. Paid A. Mallory for repairing Store, cash \$5.
  27. Sold D. Gibbings, on account, 25 bush. Barley at 53c.
  30. Withdrew from bank \$100.

Paid rent for the three months ending Dec. 31st, with check, \$75.

*Inventories, Nov. 30th, 1886.*

Mdse.—Goods on hand.....	\$1,435 01
Expense—Office Furniture .....	9 50
Rent paid beforehand.....	25 00

Result.—Net Loss, \$25; Net Capital. \$2,525.

If the pupil has done the preceding Set correctly his Loss and Gain account and his Balance account should correspond respectively to the following:—

Dr.	(Losses.)	Loss and Gain.	(Gains.)	Cr.
1886		1886		
Nov. 30	To Expense.....	88 35	Nov. 30	By Mdse..... 68 85
	“ Int. & Dis....	5 50		“ Stock..... 25
		<u>93 85</u>		<u>93 85</u>

Dr.	(Resources.)	Balance.	(Liabilities.)	Cr.
1886		1886		
Nov. 30	To Mdse. (Inv.)..	1435 01	Nov. 30	By Bills Payable.. 62 50
“ “	“ Expense (Inv.).	34 50	“ “	“ Stock..... 2525
“ “	“ Cash.....	321 60		
“ “	“ Bank.....	513 94		
“ “	“ Bills Rec'able..	225		
“ “	“ A. Craig.....	44 20		
“ “	“ D. Gibbings...	13 25		
		<u>2587 50</u>		<u>2587 50</u>

## CHAPTER V.

### DRAFTS.

A **Draft** is an unconditional written order addressed by one person to a second requesting the payment of a specified sum of money to a third.

The person who makes the draft is termed the *Drawer*, the person on whom it is drawn is termed the *Drawee*, and the person in whose favor it is drawn is termed the *Payee*.

When a draft is made payable to the Drawer he is also the Payee.

Drafts are drawn payable “on demand,” “at sight,” a specified time “after sight,” or a specified time “after date.”

**Acceptance** in its ordinary signification is an engagement on the part of the drawee to pay the draft, when it falls due, in money.

Until a draft is accepted the drawee is not liable to the holder.

The drawee accepts the draft by writing across the face of it the word "accepted," followed by his signature. The drawee then becomes the *acceptor*, and the draft becomes his *acceptance*.

In the case of drafts drawn at sight, or at a specified time after sight, the acceptor must give the date of acceptance. The acceptor may fix the place of payment, but if he neglect to do this, the payee may do it.

A bill should be presented for acceptance without delay. If it is honored the *acceptor* becomes liable; if not, the *prior parties* immediately become responsible for payment of it.

There are three kinds of acceptances: **general, special and qualified.**

When the drawee writes the word "accepted," the date, and his name across the face of a draft, the acceptance is termed a *general* acceptance.

When words are used which restrict to a certain place the payment of the draft, the acceptance is said to be *special*. Qualified acceptances are of two kinds, *partial* and *conditional*.

When the drawee binds himself to pay only a portion of the amount of a draft or varies the time of payment, the acceptance is said to be *partial*.

When payment of the bill by the acceptor is dependent on the fulfilment of a specified condition the acceptance is said to be *conditional*.

No particular form of acceptance is necessary. Red ink is generally used.

If, upon proper presentment, the drawee refuses to honor the draft, it then becomes the duty of the prior parties to it to *notify* the drawer at once of such refusal. A bill must be treated as dishonored by non-acceptance if it is not accepted on the day of presentment, or within two days thereafter.

The drawer, when notified of the non-acceptance of the bill, should pay the holder the amount of its face, and such damages as are allowed by law.

When a bill is protested, notice of the same should be sent immediately to all the parties to it.

When a bill is payable at sight or at a fixed period after sight, the time begins to run from the date of the acceptance, if the bill is accepted, and from the date of protest or noting, if the bill is protested or noted for non-acceptance or non-delivery. Days of grace are allowed on all bills but those payable on demand.

When a draft is accepted it becomes in effect the same as a promissory note, the acceptor bearing the same relation to a draft that the maker bears to a note.

If a draft is drawn payable to *order*, the payee must indorse it before it can be transferred, just as in the case of a note.

The provisions of the Act relating to Promissory Notes, as stated in Chap. III. are, with necessary modifications, applicable to drafts or bills.



*(Sight Draft.)*

CLINTON, Jan. 1, 1887.

\$100.

At sight, pay to J. W. Chisholm, or order, One Hundred Dollars, value received, and charge to account of

MOSES L. BRICKER.

To L. P. SMITH,  
Toronto.

*(Time after Sight.)*

CLINTON, Jan. 1, 1887.

\$100.

At twenty days' sight pay to the order of J. W. Chisholm One Hundred Dollars, value received, and charge to the account of

MOSES L. BRICKER.

To L. P. SMITH,  
Toronto.

Form of acceptance of the foregoing Draft ;

*"Accepted, Jan. 5, 1887.  
L. P. Smith."*

*(Demand Draft.)*

CLINTON, Jan. 12, 1886.

\$100.

On demand, pay to the order of J. W. Chisholm One Hundred Dollars, value received, and charge to account of

MOSES L. BRICKER.

To L. P. SMITH,  
Toronto.

*(Time Draft.)*

CLINTON, August 16, 1886.

\$230.

Sixty days after date, pay to A. H. Smellie, or Order, Two Hundred and Thirty Dollars, value received, and charge to account of

MOSES L. BRICKER.

To L. P. SMITH,  
Toronto.

Form of acceptance of Time Draft :

*"Accepted,  
L. P. Smith."*

**Bank Drafts** are extensively employed for making remittances.

The amount charged by the bank for issuing a draft is but a small fraction of its face value and no risk is incurred in its transmission.

## RULES FOR JOURNALIZING DRAFTS.

When a person draws on us without giving us equal value *at the time* we make him Dr.

When we draw on a person and do not give him equal value *at the time* we make him Cr.

## DRAFT PAYABLE AT SIGHT OR ON DEMAND.\*

Drawer's entry .....	{	<i>Payee</i>	<i>Dr.</i>	<i>To Drawee.</i>
Drawee's entry .....	{	<i>Drawer</i>	<i>Dr.</i>	<i>To Cash.†</i>
Payee's entry .....	{	<i>Cash</i>	<i>Dr.</i>	<i>To Drawer.</i>

## DRAFT PAYABLE AT A CERTAIN TIME AFTER SIGHT.

Drawer's entry .....	{	<i>Payee</i>	<i>Dr.</i>	<i>To Drawee.</i>
Drawee's entry .....	{	<i>Drawer</i>	<i>Dr.</i>	<i>To Bills Payable.</i>
Payee's entry .....	{	<i>Bills Receivable</i>	<i>Dr.</i>	<i>To Drawer.</i>

## RENEWING AND DISCOUNTING BILLS.

It occasionally occurs even in a well managed business, that a note is about to fall due for the payment of which the dealer is not at the time prepared. The proper course for him to take in such a case is to ask for a renewal for a long enough period to enable him to secure the necessary means of payment. Of course, the dealer having asked for an extension of time must pay interest, and any other charges that may be incurred. The usual practice is to draw the new note (*i.e.*, if the favor is granted) for such an amount as will cover the face value of the note retired, and the interest on the same for the time that the new note has to run, together with all other charges that may be connected with the renewal. Sometimes only a partial renewal may be desired.

Again, a dealer may have a note outstanding which he wishes to pay before it is due. In this case, discount will be allowed, and the dealer will pay a sum which is less than he would have paid if he had waited till the maturity of the note. Or, he may hold a note against another party, and he may wish to get money for it before it is due. In the latter case he will be obliged to take a smaller amount for it than if he had waited till its maturity.

If a note bearing interest is negotiated, the value of the note when due is found, and the sum thus found is discounted to give the proceeds. Bank discount is always used in business. Days of grace are added, except in the case of paper payable on demand.

The phrase "*discounting a note*" is used with different meanings. (1.) The selling of any note in my possession before it matures for a sum less than what it calls for when due. (2.) The paying of any note which another holds, before it falls due, with a sum less than it calls for at maturity. In either case the amount thrown off is termed the *discount*.

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\* When the Drawer makes a sight or demand draft payable to himself, his entry will be, Cash, Dr., to Drawee. When he draws a time draft in like manner, his entry will be, Bills Receivable, Dr., to Drawee.

† If the Drawee pays the draft by issuing a check, he will credit the Bank instead of Cash.

The pupil is expected to study the following until the application of rules already given is seen, and thoroughly understood :

## EXAMPLES.

## TRANSACTIONS.

## JOURNAL.

1. Discounted at bank H. C. Mann's note. Face, \$100. Discount allowed, \$5. Proceeds received in cash, \$95.	<i>Cash</i> <i>Dr.</i> ..... 95 <i>Int. &amp; Dis.</i> " ..... 5 <i>To Bills Receivable</i> ..	95 5	100
2. Discounted at bank M. Taylor's note, due 73 days hence, at 6%. Face of note, \$250. Proceeds deposited.	<i>Bank</i> <i>Dr.</i> ..... 247 <i>Int. &amp; Dis.</i> " ..... 3 <i>To Bills Receivable</i> ..	247 3	250
3. Drew a draft on C. Cameron at 10 days sight and discounted it at the bank at 8%. Face, \$365. Discount allowed, \$— . Proceeds remitted to A. Murray on acct.	<i>A. Murray</i> <i>Dr.</i> ..... 363 <i>Int. &amp; Dis.</i> " ..... 1 <i>To C. Cameron.</i> .....	363 96 1 04	365
4. Prepaid with cash my note favor of Amos Drummond. Face, \$40. Discount off, \$2.	<i>Bills Payable</i> <i>Dr.</i> ..... 40 <i>To Cash</i> ..... <i>" Int. &amp; Dis.</i> .....	40	38 2
5. Retired Jas. Stark's note for renewal for 2 months. Face of note, \$150. Interest on same for 2 months at 6%. \$1.50. Face of new note, \$151.50.	<i>Bills Receivable</i> <i>Dr.</i> ..... 151 <i>To Bills Receivable</i> .. <i>" Int. &amp; Dis.</i> .....	151 50	150 1 50
6. Renewed my note favor of Morley & Wismer. Face, \$60. Gave a new note at 3 months to cover the old note and interest thereon at 8%.	<i>Bills Payable</i> <i>Dr.</i> ..... 60 <i>Int. &amp; Dis.</i> " ..... 1 <i>To Bills Payable</i> ....	60 1 20	61 20
7. H. J. Manning has renewed his note. Face, \$350. Received in part payment an order on G. McKay for \$150 and a new note for \$202.	<i>G. McKay</i> <i>Dr.</i> ..... 150 <i>Bills Receivable</i> " ..... 202 <i>To Bills Receivable</i> .. <i>" Int. &amp; Dis.</i> .....	150 202	350 2
8. G. Johnson has failed, paying 80c. in the dollar. He pays his note which I hold. Face, \$700. Proceeds received in cash.	<i>Cash</i> <i>Dr.</i> ..... 560 <i>Loss &amp; Gain</i> " ..... 140 <i>To Bills Receivable</i> ..	560 140	700

## EXAMPLES.—(Continued.)

TRANSACTIONS.	JOURNAL.			
9. As the indorser of H. Stewart's note for \$100, I pay it and protest charges, \$1.03, with my check on the Merchants' Bank.	<i>H. Stewart</i>	<i>Dr.....</i>	101	03
	<i>To Merchants' Bank.</i>			101 03
10. Bought goods for \$105 at a sale. Gave my note at 10 days in payment. Before moving the goods I sell them for \$120, getting in payment my own note and a sight draft on A. Kean for \$15.	<i>Cash</i>	<i>Dr.....</i>	15	
	<i>To Loss &amp; Gain. ....</i>			15

## EXERCISE I.

1. James Furrier, of Windsor, draws on H. A. Smith, of Montreal, for \$60 at 30 days.
2. H. A. Smith accepts Furrier's draft.
3. L. Mason gives Peter McLaren, in payment for goods bought one month ago, his note (negotiated by indorsement) at 3 months, for \$500.
4. Mason prepays his note, being allowed a discount of \$20.
5. Miller & Co., St. Catharines, send W. Smith, of Paisley, an invoice of goods amounting to \$150, and draw on him at 10 days' sight.
  - (a) Give Furrier's Journal entry, and write the draft.
  - (b) Give H. A. Smith's Journal entry on accepting. Accept the draft for Smith.
  - (c) Write Peter McLaren's Journal entry on receiving the note. Make the note and indorse it in blank.
  - (d) Give Mason's entry on prepaying it.
  - (e) Write the draft for No. 5. Accept it on the 22nd day of September, 1886, making it payable at St. Catharines.
  - (f) What is meant by *negotiable paper*? Name the different kinds.

## EXERCISE II.

1. Accepted S. W. Perry's draft for \$123.75 at 10 days' sight, in favor of J. F. Morrow, payable at the Molsons Bank.
2. Paid W. Martin in full of account, by giving him S. Furrier's note at 6 months, indorsed by H. Houston, for \$750. Date of note, March 30, 1886.
3. Paid S. W. Perry's draft on me with cash.
4. N. C. McPherson & Co. failed, and made an assignment, their creditors receiving 60 cents in the dollar. My claim was \$250. Received in settlement W. H. Muir's acceptance, \$150.

- (a) Write the draft for No. 1, and accept it. Give the Journal entries of all the parties concerned.
- (b) Write the note for No. 2. On what day will it fall due?
- (c) What are the Journal entries for Nos. 3 and 4?
- (d) Define acceptance, promissory note, draft and order.
- (e) Illustrate by examples the different kinds of indorsement, and state the effect of each.
- (f) When is a bill or note negotiated without indorsement?

## EXERCISE III.

1. Gave Jas. Smith, on account, my draft at 10 days on L. Mason for \$40.
2. Paid Wm. Jones' sight draft on me for \$80.
3. Jas. Smith returned my draft on L. Mason on its being dishonored. I immediately remit cash \$40 (1.)
4. R. Mills drew on me for \$100 at 30 days. I prepaid the draft with cash. Discount off \$2.
5. Drew on John Ross at sight for \$100 in favor of Wm. McKay, who had to his credit \$75 in my books. Received McKay's note for amount overpaid.
6. Accepted H. Corbett's draft on me at 20 days' sight, favor of James McGillivray, for \$120.
7. Prepaid my acceptance in favor of James McGillivray. Discount off \$3. Gave my check for balance, \$117.
9. Drew a draft on R. T. Todd in my own favor for \$30. Had it immediately discounted at the bank. Discount off \$1. Proceeds deposited.
8. Had Wm. Gray's acceptance for \$60 discounted at the bank. Discount allowed \$4. Proceeds deposited.
10. Gave H. Leonard my draft for \$25, on Jas. Brown, in payment for goods, which I immediately sold for \$30 in cash.

- (a) Give my Journal entries.
- (b) Write the draft required for No. 5.
- (c) Discuss the methods of treating No. 10.
- (d) Make a list of the Ledger accounts affected by the foregoing, arranging them into two classes.

## BILLS OF EXCHANGE.

A **Bill of Exchange** is a written order from one person (the Drawer) to another (the Drawee) directing him to pay to a third person (the Payee), or to his order, or to bearer, a specified sum of money.

Bills of Exchange are of two kinds, **Domestic** or **Inland**, and **Foreign**.



An Inland Bill of Exchange is one payable in the same country in which it is made, and is usually called a *draft*.

A Foreign Bill of Exchange is one payable in a different country from that in which it is made.

The **Par of Exchange** between two countries is the nominal value of the coinage of one country, when expressed in terms of the coinage of the other.

The **Course of Exchange** is variable and depends chiefly on the balance of trade. It simply means the market value in one country of bills on another.

A Bill of Exchange is used for the payment of a debt *due in another country* without the transmission of specie, thus avoiding risk, loss of interest and transportation charges.

Foreign bills are commonly drawn in sets, three making a set or one bill. These are forwarded at different times, or by different means of transportation, so that one of them, at least, may reach its destination as soon as possible. Whenever any one of them is paid the others are void.

*Form of a Set of Exchange.*

TORONTO, Sept. 30, 1886.

Exchange for £200.

Thirty days after sight of this first of Exchange (second and third of same date and tenor unpaid) pay to Muir & Co., or order, Two Hundred Pounds, sterling, value received, and charge to the account of

JOHN JAMIESON.

TO MESSRS. BARING & CO.,

London.

TORONTO, Sept. 30, 1886

Exchange for £200.

Thirty days after sight of this second of Exchange (first and third of same date and tenor unpaid) pay to Muir & Co., or order, Two Hundred Pounds, sterling, value received, and charge to the account of

JOHN JAMIESON

TO MESSRS. BARING & CO.,

London.

TORONTO, Sept. 30, 1886.

Exchange for £200.

Thirty days after sight of this third of Exchange (first and second of same date and tenor unpaid) pay to Muir & Co., or order, Two Hundred Pounds, sterling, value received, and charge to the account of

JOHN JAMIESON.

TO MESSRS. BARING & CO.,

London.

EXERCISE IV.

1. Accepted H. McKay's draft at 30 days' sight, favor of Jas. Clark, payable at the Molsons Bank, for \$150.

2. Drew on A. D. McCaul, at 30 days' sight, for \$120. Had the draft discounted at the bank. Discount off \$1.50. With proceeds I bought a draft on the Molsons Bank, Toronto (Exchange  $\frac{1}{8}\%$ ), which I remitted to H. Calder on account.
3. Discounted at the Merchants' Bank E. McKibbon's note, due 2 months hence. Face of note \$40. Discount allowed \$1. Proceeds received in cash.
4. Sold James Jones goods from store valued at \$750. Received in payment his note at 6 months, which I discounted at the Merchants' Bank at 6%. Discount allowed \$—. Proceeds remitted to W. Muir in part payment of my note due this day for \$1,000.
5. Remitted to W. Muir cash for balance of note (No. 4), and interest due on the same. Interest \$1.30.
6. Bought for cash from Matthew Baker his bill on Baring & Co., London, at 30 days' sight for £570, sterling, exchange being at a premium of  $9\frac{1}{2}\%$ . [A bill for £1 costs  $\$49 \times \frac{109\frac{1}{2}}{100}$ ].
7. H. C. Manley has failed, and his note which I hold is valueless. Face of note \$25.
8. Paid with check my note drawn in favor of W. Wentworth, which was under protest. Face of note \$150. Protest charges \$1.03; 6 days' interest \$0 25.
  - (a) Give my Journal entries.
  - (b) Write the draft for No. 1 properly accepted.
  - (c) What is meant by protesting a note? Is it necessary to have a note protested?
  - (d) Define Bill of Exchange.

## EXERCISE V.

1. Renewed our note, favor of Jas. Brown, due to-day, for \$150. Gave a new note at one month for \$151.  
 NOTE.—The \$1 which is added is one month's interest on the old note at 8%.
2. Renewed our note, favor D. Cameron, due this day, for \$750. Gave our note at 3 months for \$408 and cash \$350 for balance.
3. Retired M. L. McKinnon's note due this day for \$200; received in payment his note at 10 days for \$100.50, and his check for \$100.
4. Retired John Smith's note due this day for \$250. Received in payment his note at 3 months for \$153, and his sight draft on Jas. Brown for \$100.
5. Renewed R. Robb's note due to-day for one month. Face, \$100. Interest received in cash, \$1.
6. Sold H. C. Massey 124 bush. Oats at 35c. Received in payment his note at 60 days, bearing interest at 6%. Face of note \$43.40.
7. Discounted H. C. Massey's note at the Bank 30 days before due at 8% (No. 6).

8. Prepaid with cash my note in favor of Jas. Jones 73 days before due.  
Face of note \$60. Discount at 6%.
  9. Prepaid with check my note for \$75.20 in favor of N. Storey 10 days before due. Discount at 5%.
  10. Sold S. W. Hartt 30 bush. wheat at \$1. Received in payment Robert Curry's acceptance due one year hence for the amount. It bears interest at 6%.
- (a) Journalize the foregoing.
  - (b) Explain fully what is meant by renewing a note.
  - (c) What are the different senses in which the word "discounting" is used?
  - (d) Write the note for No. 6 and the draft properly accepted for No. 10.

## SET VII.—DRY GOODS BUSINESS.

*Books used—Journal, Cash Book, Bill Book, and Ledger.*

### TRANSACTIONS.

——— December 1, 1886.

Commenced business, investing as follows :

- Resources**—Cash on hand, \$500. Goods on hand valued at \$800. W. Stephen's note, dated Nov. 1, 1886, at 70 days, bearing interest at 8%; face of note, \$400; interest accrued, \$—. W. Milne's acceptance, dated Sept. 8, 1886, at 4 months; face of acceptance, \$120. H. Foster owes me on account, \$65.50. Jas. Scott owes me on account, \$27.30.
- Liabilities**—H. George holds a non-negotiable note against me, dated Aug. 24, 1886, drawn at 4 months, for \$60. I owe John Patterson on account, \$36.90.
- Paid for Postage and Stationery \$1.20.
2. Sold R. Purvis 3 pcs. Linen, 50 yds. each, at 75c.; 16 yds. Scotch Tweed, \$1.50. Received in payment an order on John Patterson which is passed to his account at his request. Deposited in Bank of Montreal, cash, \$400. Paid for Office Furniture cash, \$15. Cash sales, \$19.60.
  3. Bought of H. H. Bunting, on my acceptance at 10 days, an invoice of goods amounting to \$200. Paid for Insurance cash, \$10. Paid for Advertising cash, \$5. Cash sales, \$20.25.
  4. Sold M. McPherson for his acceptance at 20 days, 150 yds. Broadcloth at \$2.40, \$—. Paid for Repairing Store with check, \$8.40. Cash sales \$31.50.
  6. Bought of J. Young an invoice of goods amounting to \$400. Gave in payment cash, \$50; an order on H. Foster for \$65.50, and my note at 3 months for balance, \$—. Cash sales, \$18.40.
  7. Sold J. McHardy for his note at 15 days, 2 prs. Pants, at \$7; one Overcoat, \$15; 50 yds. Flannel, at 40c. Cash sales, \$18.60.

8. Prepaid with check my note favor of H. George as per B. B.; discount allowed, 50c. Jas. Scott has failed, paying 40c. in the dollar; my share received in cash, \$—. Cash sales, \$21.30.
9. Discounted W. Stephen's note as per B. B. at 6%; proceeds deposited, \$—. Paid for Fuel, cash, \$20, and for Telegram, 50c. Cash sales, \$20.
10. Lost a \$2 bill. Received from John Patterson his note at 2 mos. in full of acct., \$—. Cash sales, \$16.50.
11. Sold A. J. McKay on one month's credit, 25 yds. Scotch Tweed, at \$1. Paid for Stove for store with check, \$25. Paid for Postage and Stationery with cash, \$2.50. Cash sales, \$28.70.
13. Sold H. P. Smith for his check on Molsons Bank, 3 doz. Fancy Ties, at \$4 per doz.; 4 doz. Linen Collars, at \$2.50 per doz., \$—. Cash sales, \$17.90.
14. Presented H. P. Smith's check for payment, but it was dishonored and returned to him. Discounted John Patterson's note, as per B. B., at the bank; discount allowed 8%; proceeds deposited, \$—. Cash sales, \$23.80.
15. Received from A. J. McKay his check for \$15 on acct. Cash sales, \$14.75.
16. H. P. Smith sent me his note at 10 days, in full of acct. Renewed my acceptance due this day favor of H. H. Bunting; gave a new note at 2 mos. to cover face of acceptance and interest at 8% on the same. Cash sales, \$21.20.
17. Sold A. J. McKay, 10 ready-made Overcoats at \$12, \$—. Received in payment a sight draft on Wm. Muir for \$100 and cash for balance. Cash sales, \$24.30.
18. Bought of W. H. Sims, with my check, an invoice of goods amounting to \$500. Discount off, 5%. Cash sales, \$39.96.
20. Discounted M. McPherson's acceptance at the bank at 8%. Proceeds received in cash, \$—. Paid for Stationery, \$1.50. Cash sales, \$39.47.
21. Sold R. Holmes, on account, 13 yds. Brown Beaver at \$2. Paid H. Murch for repairs, \$6.40. Cash sales, \$13.60.
22. Deposited in bank cash \$300. Received from A. J. McKay his note at 2 months in full of account, \$—. Cash sales, \$24.45.
23. Bought of M. Wismer, on account, goods invoiced at \$130. Cash sales, \$22.60.
24. Paid for Fuel, cash \$5. Cash sales, \$40.10.
27. Discounted at 6% W. Milne's acceptance, as per B. B. Proceeds remitted to M. Wismer, together with cash to close his account. (Wismer allows 5% for prompt payment.) Cash sales, \$22.
28. Received cash in full of J. McHardy's note, as per B. B. Cash sales, \$35.50.
29. Sold at auction for cash goods to the amount of \$300. Paid the auctioneer with check, \$5



30. Paid clerk's salary with check, \$30. Cash sales, \$40.  
 31. H. P. Smith paid his note with his check. Cash sales, \$32.60.

*Inventories, taken Dec. 31st.*

Merchandise—Goods remaining unsold.....	\$550 00
Expense—Stove on hand .....	20 00
Furniture .....	14 00

Total..... \$584 00

Result—Net Gain, \$74.10.

NOTE.—The student is expected to write out all checks, drafts, notes, &c., as he would in actual business.

## SET VII.—THE JOURNAL.

The form of Journal used in connection with this set will be found very practical. It has special columns, and by this means much time is saved in posting. All amounts representing the cost of goods purchased will be entered in the column to the left hand side headed "*Mdse.*" The corresponding column to the right hand side will receive all amounts of sales. The sums in these columns will be posted in *total* at the end of the month. All the other amounts will be posted separately. When the items belonging to any account are very numerous a special column should be used for them. It is quite obvious that this method can be advantageously employed for almost any kind of business.

## THE CASH BOOK.

The Cash Book is used as a principal book; that is, the amounts which appear in it are transferred directly to the ledger. It has three columns on each side. The one headed "*Mdse.*" on the Dr. side will receive all amounts of cash sales, and the "*Sundries*" column will receive all other amounts of cash which come into the business. The footing of the "*Mdse.*" column will be posted to the credit side of the *Mdse.* account at the end of each week;\* the amounts in the (Dr.) *Sundries* column will be posted daily to the Credit side of the accounts producing them. The footing of the "*Mdse.*" column is carried to the "*Sundries*" column, and the total is posted to the debit side of the Cash account. The "*Expense*" column will receive all amounts paid out for current expenses, and its footing for the week will be charged to the Expense account in the Ledger. All other amounts paid out will appear in the (Cr.) *Sundries* column, and will be placed on the debit side of their respective accounts. The footing of the "*Expense*" column is carried to that having the heading "*Sundries*," and the total placed to the credit of the Cash account.

The Cash Book may be *tested* every day, though not balanced in a formal manner.

Although it is customary to keep a Cash account in the Ledger the pupil will see that such can shew nothing more than is shewn by the Cash Book. This Book might, therefore, be regarded as the Cash Account.

\*This may be done semi-monthly, or monthly, if desired.





## CASH BOOK

Dr.

Cash.

1886		L. F.			MDSE.	SUNDRIES	TOTAL.
Dec.	1		(Pupil's name here).	Investment.....		500	
"	2		Mdse.	Sales this day.....	19 60		
"	3		"	" ".....	20 25		
"	4		"	" ".....	31 50		
Mdse. Cr.—Sales for week.....					71 35	71 35	
Cash Dr.—Receipts for week.....						571 35	571 35
							571 35
Balance.....							140 15

## BILL BOOK

## Bills

No.	When Rec'd.	Drawer or Indorser.	Drawee or Maker.	In Whose Favor.	For What Received.	Where Payable.	Date.	Time to Run.
1	Dec.	1	W. Stephen	Myself	Investment	Molsons Bk.	Nov. 1, '86	70 ds.
2	"	"	W. Milne	"	"	"	Sept. 8, '86	4 ms.

## Bills

No.	When Given.	Drawer or Indorser.	Drawee or Maker.	In Whose Favor.	For What Given.	Where Payable.	Date.	Time to Run.
1	Aug. 24		Myself	H. George		My Office	Aug. 24, '86	4 ms.

\* When there is a large number of Bills Receivable there should be a column for every day in the month instead of one for every month in the year into which to enter the date of maturity of each note or draft. All the notes, &c., falling due during any particular month should be entered on the same

## —SET VII.

		<i>Cash.</i>		<i>Cr.</i>	
1886		EXPENSE.		SUNDRIES	TOTAL.
Dec.	1	Expense	Stationery & Postage....	1 20	
"	2	Bk. of Commerce	Deposited.....	400	
"	"	Expense	Office Furniture.....	15	
"	3	"	Insurance & Advertising	15	
		Expense Dr.—Outlay for expenses....	31 20	31 20	
		Cash Cr.—Disb. for week .....		431 20	431 20
		Balance.....			140 15
					571 35

## —SET VII.\*

SET VII.

Receivable.

When Due.												Interest.		Amount.	Payments.		When and How Disposed of.
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Rate.		Sum.	Date.	
1887	13												8%				
1887	11																

*Payable.*

When Due.												Interest.		Amount.	Payments.		When and How Retired.
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Rate.		Sum.	Date.	
1886												27			60		

page or on consecutive pages, the name of the month being placed at the top. In the column headed "No." the file should be indicated in small figures or letters above the figures expressing the number of the note.

## SET VIII.—EXPLANATIONS.

The only new feature of this set is the introduction of the Sales Book. This book being used, the Sales column in the Journal will be dispensed with, as all the amounts which would be placed in it will be found in the Sales Book. The amounts representing the cost of goods purchased may be transferred directly from the Invoice Book to the Ledger, or a column for such amounts may be in the Journal. In either case the total for the month should be posted to the Dr. side of the Merchandise Account. The Cash Book will be the same as that of the preceding set.

## SALES BOOK.

All sales of merchandise are recorded in this book. When goods are sold for which full payment in cash is made, it is not necessary to enter the items in this book, as the amount can be carried directly to the "Mdse." column on the Dr. side of the Cash Book. When part payment for goods sold is received in cash, although the items should be given in the Sales Book, the amount of cash received should not be extended into the money column, but transferred to the "Mdse." column of the Cash Book, only the part paid otherwise than in cash being carried to the money column.

At the end of the month the amount of the Mdse. column of the Cash Book is transferred to the outside column of this book, the footing of which will then shew the total sales. The total is posted to the Cr. side of the Merchandise Account in the Ledger. By examining the form given the student will see at once how to post the debits.

## SET VIII.—BOOT AND SHOE BUSINESS.

*Books used.*—*Journal, Cash Book, Sales Book, Bill Book, and Ledger.*

— *January 3, 1887.*

Commenced this day the Boot and Shoe Business, investing cash \$2,000. Bought of Smith & Co., Toronto, goods invoiced at \$1,200. Paid the same with cash. Paid freight, \$17.50; drayage, 50c.\* Employed A. Bolger as clerk at \$30 per month. Paid cash for Fuel, \$10, and for a set of books for store, \$6.

*January 4.*

Deposited in the Bank of Commerce cash \$500.

Sold J. McEachern 3 prs. Men's Kip Boots at \$4.50; 2 prs. Men's Gaiters at \$3; 4 prs. Women's French Kid Button Boots at \$4.50; 3 prs. Women's Slippers at \$1.20; 4 prs. Boys' Plain Rubber Overshoes at 60c. Received in payment A. Taylor's acceptance at 6 mos., dated

Sept. 1, 1886.

Cash sales, \$25.30.

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\* All amounts paid for freight and drayage on goods *purchased* should be entered on the Dr. side of Mdse. acct.

If the dealer wishes to know the amount he pays for freight, for instance, during a term of business he will open a Freight account and debit it with all sums paid for the transportation of goods purchased. This account must be closed into Mdse. account before the books are balanced.

*January 5.*

Sold William Leeds, on account, 2 prs. Men's French Calf Bals. at \$4.50 ;  
1 pr. Women's Butt. Calf Boots at \$2.70.

Discounted at bank A. Taylor's acceptance at 6%, and deposited the proceeds.  
Paid for Coal Oil \$1.40.

Cash sales, \$27.20.

*January 6.*

Bought of Warner & Sons, London, an invoice of goods amounting to  
\$200. Gave in payment a draft on the Bank of Commerce for that  
amount, purchased with cash. [Banks charge  $\frac{1}{8}\%$  for issuing drafts,  
therefore a draft for \$200 will cost \$200.25.] Paid freight, \$3.50.

Received from William Leeds, on account, cash \$5.

Cash sales, \$32.85.

*January 7.*

Sold W. H. Martin 3 prs. Men's Imitation Sandals at 65c. ; 4 prs. Women's  
Buff Bas. at \$1.40 ; 5 prs. Women's Felt Slippers at \$1.20 ; 2 prs.  
Boys' Heavy Boots at \$2.50 ; 3 prs. Boys' Tie Shoes at \$1.80.  
Received in payment his sight draft on J. Sloan for \$10, and his note  
at 10 days for balance.

Paid for Postage and Stationery \$2.30 with cash.

Bought of Warner & Sons, London, goods invoiced at \$146. Accepted  
their draft at 30 days for that amount,

Cash sales, \$21.45.

*January 8.*

Sold K. McKendrick 3 prs. Children's Butt. Boots at \$1.10 ; 4 prs. Misses  
Goat Lace Boots at \$1.25 ; 2 prs. Women's Polished Calf Boots at  
\$2.50. Received in payment an order on R. Mills for \$10 ; the  
balance to remain on account.

Received from Wm. Leeds his note at 10 days in full of account, \$—.

Sold Benjamin Hill, on account, 3 prs. Men's Stoga Boots at \$1.80.

Paid for Advertising, \$2.50 ; Telegram, 25c.

Cash sales, \$40.20.

*January 10.*

Borrowed from C. Cameron a \$5 bill.

Prepaid my acceptance favor Warner and Sons at 6% with my check.

Sold to Jas. Mooney 43 prs. Men's Calf Sewed Boots at \$5 ; 50 prs. Woman's  
Polished Calf Boots at \$2. Received in payment his note at 10 days, \$—.

Cash sales, \$39.50.

Discounted at bank Wm. Leed's note my favor. Discount allowed, 25c.

Deposited the proceeds.

Paid C. Cameron the amount borrowed, \$5.

*January 11.*

Deposited in the Bank of Commerce cash \$200.

Cash sales, \$50.70.



*January 12.*

Bought of Elder & Co., Hamilton, goods invoiced at \$300. Accepted their draft at 30 days' sight for \$100. Paid freight, \$5, with check.  
R. Mills paid the order on him received on the 8th inst. with his check.  
Cash sales, \$29.60.

*January 13.*

Sold W. Manning 30 prs. Men's Calf Sewed Boots at \$5. Received in payment his note at 10 days.  
Cash sales, \$10.70.

*January 14.*

Sold R. Mills, on account, 2 prs. Men's Stoga Boots at \$3; 1 pr. Men's French Calf Boots at \$4.50; 3 prs. Misses Prunella Bals. at \$1.  
Paid S. James for cleaning store, cash \$1.50.  
Cash sales, \$16.28.

*January 15.*

Paid clerk's half-month's salary with check, \$15.  
Sold H. Hughes 25 prs. Women's Buff Bals. at \$1.50; 50 prs. Misses Butt. Bals. at \$1.20. Received in payment his sight draft on Francis Bawden, which is honored.  
Cash sales, \$47.50

*January 17.*

Sold Henry Brown 2 prs. Men's Carpet Slippers at \$1.25; 4 prs. Boys' Kip Boots at \$3.50; 2 prs. Women's Pebbled Bals. at \$1.30. Received in payment A. Embree's acceptance due March 4, 1887.  
Lost from my pocket a 50c. piece.  
Received from R. Mills his note at 30 days in full of account, \$—.  
Cash sales, \$28.80.

*January 18.*

Sold H. J. George, Dundas, 100 prs. Men's French Calf Sewed Boots at \$5. Received in payment a draft on the Bank of Commerce for the amount, which I deposited.  
Remitted Elder & Co. on account a bank draft for \$100, which I purchased with cash.\*  
Paid cash for Coal Oil, \$4; for Writing Desk, \$20.  
Cash sales, \$35.20.

*January 19.*

Bought of Hurdon & Graham, Guelph, goods invoiced at \$550. Discount off 5%. Remitted them my note at 70 days, bearing interest at 5%, for \$200, and my check for balance.  
Cash sales, \$24.35

*January 20.*

Prepaid my acceptance favor of Elder & Co. with check. Discount at 5%.  
Cash sales, \$37.60.

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\*As a rule, banks charge 25c. for issuing drafts not exceeding \$200.

*January 21.*

Received cash for W. H. Martin's note, \$—.

Jas. Mooney has renewed his note. Received in part payment cash \$100.  
and a new note at 30 days for \$215, bearing interest at 5%.

Cash sales, \$36.40.

*January 22.*

Received from K. McKendrick cash in full of account. Deposited in  
bank cash \$330.

Cash sales, \$48.75.

*January 24.*

Prepaid my note favor of Hurdon & Graham with check. Discount at 6%  
[When a note bears interest its amount when due is discounted for  
the unexpired time.]

Cash sales, \$25.20.

*January 25.*

Paid Elder & Co. cash on account, \$30.

Cash sales, \$19.40.

*January 26.*

Sold R. Mills, on account, 1 pr. Men's Stoga Boots at \$3.60; 3 prs-  
Misses Polished Calf Bals. at \$1.75; 1 pr. Men's Plain Buckle Over.  
shoes at \$1.75, \$—.

Paid cash for Office Furniture, \$14.50.

Cash sales, \$23.30.

*January 27.*

Discounted A. Embree's acceptance. Face of acceptance, \$—.  
Discount allowed, \$0.35. Proceeds deposited, \$—.

Cash sales, \$15.40.

*January 28.*

Gave Elder & Co. my note at one month in full of account, \$—.

Cash sales, \$21.96.

*January 29.*

Sold H. Corbett, on account, 1 pr. Men's Calf Sewed Boots at \$4.60.

Cash sales, \$31.20.

*January 31.*

Paid clerk's half month's salary with check, \$15,

Sold by auction, goods for cash, \$400; paid auctioneer \$5.

*Inventories.*

Mdse.—Goods on hand .....	\$206	87
Expense.—Writing Desk and other office furniture.....	31	
Int. and Dis.—Interest accrued on Jas. Mooney's note ....	29	

Result—Net Gain, \$41.01; Net Worth, \$2,041.01.

## SALES BOOK—SET VIII

—, January 4, 1887.

<b>J. McEachern.</b>				
3 prs.	Men's Kip Boots.....	@ \$4.50	13	50
2 "	" Gaiters .....	" 3	6	
4 "	Women's Fr. Kid Butt. Boots ..	" 4.50	18	
3 "	" Slippers .....	" 1.20	3	60
4 "	Boy's Plain Rub. O. S .....	" 60	2	40
<b>Bills Rec.</b>		<b>A. Taylor's acceptance at 6 mos.....</b>		<b>43 50</b>
		5		
<b>William Leeds.</b>				<b>11 70</b>
2 prs.	Men's French Bals .....	@ \$4.50	9	
1 pr.	Women's Butt. Calf.....	" 2.70	2	70
		7		
<b>W. H. Martin.</b>				
3 prs.	Men's Im. Sandals .....	@ \$ 65	1	95
4 "	Women's Buff Bals .....	" 1.40	5	60
5 "	" Felt Slippers .....	" 1.20	6	
2 "	Boy's Heavy Boots .....	" 2.50	5	
3 "	" Tie Shoes .....	" 1.80	5	40
✓ <b>Cash.*</b>	<b>Sight draft on J. Sloan, \$10.....</b>			
<b>Bills Rec.</b>		<b>Martin's note at 10 ds. ....</b>		<b>13 95</b>
		8		
<b>K. McKendrick</b>				<b>3 30</b>
3 prs.	Children's Butt. Boots .....	@ \$1.10	3	30
4 "	Misses' Goat Lace Boots .....	" 1.25	5	
2 "	Women's Pol. Calf.....	" 2.50	5	
<b>R. Mills.</b>		<b>Order on him.....</b>		<b>10</b>
		"		
<b>Benjamin Hill</b>				<b>5 40</b>
3 prs.	Men's Stoga Boots .....	@ \$1.80		
		10		
<b>James Mooney.</b>				
43 prs.	Men's Sewed Boots .....	@ \$5	215	
50 "	Women's Polished Calf .....	@ 2	100	
<b>Bills Rec.</b>		<b>Note at 10 ds.....</b>		<b>315</b>
		11		
<b>W. Manning.</b>				
30 prs.	Men's Calf Sewed Boots .....	@ \$5		
<b>Bills Rec.</b>		<b>Note at 10 ds.....</b>		<b>150</b>

\* This amount is not extended to the money column, because it will be transferred to the Cash Book, and therefore find its way to the Ledger as part of the total sales for the month.

## CHAPTER VI.

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### SHIPMENTS AND CONSIGNMENTS.

It occasionally happens that a dealer has goods in his possession for which he cannot find a ready sale at his place of business, but for which there is a good market somewhere else. It will, in such a case, evidently be to his advantage to send these goods where they are in demand, and to employ a person doing business there to offer them for sale. As such goods, though shipped, are still *owned* by the person who sent them, it is obvious that he cannot treat them as property which he has sold. It is, therefore, necessary to use a special term to represent such. The representative titles "**Shipment**" and "**Adventure**" are the ones commonly employed.

#### SHIPMENTS.

Debit the Shipment for the <i>value</i> of the property represented, and for all <i>expenses</i> .		Credit the Shipment for the <i>net</i> <i>proceeds</i> .
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The entry is made on the Dr. side when the goods are shipped, and on the Cr. side when the Account Sales is rendered.

The person sending goods to be sold by another for him is termed the **Shipper** or **Consignor**.

If the shipper wishes to close his books before an Acct. Sales is rendered, he will close "*By Bal. Inventory*," and carry the amount to the Dr. of Balance Acct.

If an Acct. Sales has been rendered, and if the proper entry on receipt of it has been made, the Dr. side shews the cost and the Cr. side the proceeds of the Shipment; consequently, the account will close into *Loss and Gain*.

Different Shipments are distinguished one from another by numbering them, and by attaching the name of the seller, or of his place of business to each. The third shipment sent to W. Mason, Montreal, for instance, might be styled "Shipment to Mason, No. 3."

The person to whom the goods are sent for sale is termed the **Agent** or **Consignee**.

When the Agent receives the goods he takes them in charge, paying freight, drayage, &c., if required. It may also be necessary for him to

store them away for a time, and to have them insured. Although the agent may do all this he does *not* become the *owner*; he merely assumes the management of them until they are sold, or ordered by the Consignor to be re-shipped. It will be clear, therefore, to the student who understands what the Mdse. Acct. represents, that it will be necessary to open a separate account to represent property to be sold on the account and risk of another. The heading usually employed is "**Consignment.**"

### CONSIGNMENTS.

Debit the Consignment for all  
*values paid* on account of it, for the  
amount of *commission* on the sales,  
and for the *net proceeds* due the  
shipper.

Credit the Consignment for the  
*proceeds of sales.*

If the Shipper is not paid when the Acct. Sales is rendered his personal account must be credited; but if paid, the account or accounts representing whatever is remitted must be credited.

When a large commission business is carried on there will likely be a number of consignments *partly* disposed of at the time of closing the Ledger. It would be improper to render an Acct. Sales of the goods sold unless such were called for, and, therefore, it would be better not to debit the consignment for the commission earned on the goods parted with. But this commission represents value, and must be taken into consideration. The simplest and most logical method is to treat such consignments as *personal accounts*, closing them as they stand into Balance. Enter the commission on the sales effected in *total* on the Cr. side of the Commission account "*By Bal. Inventory,*" and carry to the Dr. side of Balance. As manifestly ought to be the case, this amount is placed among the Resources, while the accounts representing the property partly sold are left undisturbed.

When the new Commission account is opened, this balance will be brought down to the Dr. side of it. As the consignments are disposed of the total commission arising from each is entered on the Cr. side of the Commission Acct. The bringing down of the balance from the old account will obviously prevent the counting twice of that part of the commission that was before credited.

If it is not important to know the *exact* gain or loss for the term of business, the commissions on consignments partly disposed of may be disregarded at the time of closing.

Different Consignments are distinguished from one another by numbering them and by making use of the names of the Shippers. The second consignment received from William Wilson, for instance, might be styled, "Wilson's Consignment, No. 2."

W. H. Smith, Guelph, Ont., ships to W. Mason, Montreal, 40 bbls. Extra Flour, at \$4 per bbl., to be sold on the account and risk of the Shipper, who pays \$10 shipping expenses with cash.



On making the shipment, Smith will send Mason a letter advising him of the same, and he will enclose the invoice of the goods shipped.

*(Advice of Shipment sent by Smith.)*

GUELPH, Oct. 1, 1886.

W. MASON, Esq.,  
Montreal, Que.

Dear Sir,—I have, this day, forwarded to you Flour, as per Invoice enclosed, to be sold on my account.

Hoping that a profitable sale may be effected at an early date, I remain,

Yours respectfully,

W. H. SMITH.

*(Invoice enclosed.)*

*Invoice of 40 bbls. Extra Flour, shipped per G. T. R., Oct. 1, 1886, to W. Mason, Montreal, to be sold on commission.*

40 bbls. Extra Flour at \$4 .....	160
<i>E. &amp; O. E.</i>	
<i>Guelph, Oct. 1, 1886.</i>	
<i>W. H. SMITH, Consignor.</i>	
	160

*(Mason's Acknowledgment on Receipt of the Consignment.)*

MONTREAL, Oct. 5, 1886.

W. H. SMITH, Esq.,  
Guelph, Ont.

Dear Sir,—I have, this day, received, in good condition, your consignment of Flour as per Invoice of the 1st inst.

As prices are good, I shall put it on the market immediately.

Yours truly,

W. MASON.

Mason, on disposing of the consignment, will, as soon as convenient, send the shipper a statement shewing the amounts received for the goods and also the charges, such as freight, storage, commission, &c. Such a statement is termed an **Account Sales**.

*(The Account Sales rendered by Mason.)*

*Account Sales of 40 bbls. Extra Flour, received per G. T. R.,  
Oct. 5, 1886, from W. H. Smith, Guelph, Ont., to be sold  
on commission.*

1886		Sales.			
Oct.	7	Sold for Cash, 40 bbls. Extra Flour, at \$6 .....		240	
		Charges.			
Oct.	5	Freight. ....	30		
"	8	Commission, 3% on Sales .....	7 20	37	20
		W. H. Smith's net proceeds, placed to his credit .....		202	80
		E. & O. E.			
		W. MASON, Consignee.			
		Montreal, Oct. 8th, 1886.			

## TRANSACTIONS.

## EXAMPLES.

## JOURNAL.

1. Student shipped to Dickson for sale on commission 1200 bbls. Flour, which he bought of Jas. Keene at \$5 per bbl., giving in payment his own note at 10 days for \$1200, Keene's note, then due, for \$1000, and a check on the Molson's Bank for balance. Student paid shipping expenses, \$50, with cash.

2. Dickson, on receipt of the Flour, paid freight, \$60, with his sight draft on J. B. Wilson, and drayage, \$10, with his check on Merchants' Bank.

3. At the request of Student Dickson purchased 800 bbls. Flour at \$4.50, for which he paid cash, and added the same to the consignment. He paid freight, \$25, and drayage, \$5, with his check on Merchants' Bank.

(Student's entry.)			
Ship't to Dickson Dr.....	6050		
To Bills Payable....		1200	
" Bills Receivable..		1000	
" Molsons Bank...		3800	
" Cash .....		50	
(Dickson's entry.)			
Student's Cons'gt Dr.....	70		
To J. B. Wilson....		60	
" Merchants' Bank		10	
(Dickson's entry.)			
Student's Cons'gt Dr.....	3630		
To Cash .....		3600	
" Merchants' Bank		30	

**EXAMPLES.—(Continued.)****TRANSACTIONS.****JOURNAL.**

4. Dickson sold the whole consignment (less 10 bbls. damaged) to Robert Fullerton at \$5.50, and received in payment his own note for \$2000, then due, on which there had accrued \$150 interest; Fullerton's sight draft on John Campbell for \$1200, and a draft on the Bank of Montreal for the balance.

(Dickson's entry.)

<i>Bills payable</i>	<i>Dr.</i> .....	2000	
<i>Int. &amp; Dis.</i>	".....	150	
<i>Cash</i>	".....	8795	
<i>To Student's Cons'gt</i>			10945

5. Dickson charged 2c. per bbl. for buying, 3c. per bbl. for selling, \$20 for storage, \$15 for cooperage, \$10 for insurance, and rendered an Account Sales, remitting Fullerton's sight draft as above, and a draft on the Merchants' Bk., purchased with cash, to settle in full with the shipper.

(Dickson's entry.)

<i>Student's Cons'gt</i>	<i>Dr.</i> .....	7245	
<i>To Commission</i>	.....		75 70
<i>" Storage</i>	.....		20
<i>" Cooperage</i>	.....		15
<i>" Insurance</i>	.....		10
<i>" Cash</i>	.....		7124 30

(Student's entry.)

<i>Cash</i>	<i>Dr.</i> .....	7116 90	
<i>Int. &amp; Dis.</i>	".....	7 40	
<i>To Ship't to Dickson</i>			7124 30

**EXERCISE I.**

1. (Student's Name.) shipped to Smith for sale on commission, Mdse. invoiced at \$1,500.
2. Smith, on receiving the goods, paid \$10 freight with cash.
3. Smith sold the whole consignment for \$1,800, and received in payment a check on the Molsons Bank.
4. Smith charges 3% com. for selling, and renders an Acct. Sales, remitting a check on the Bank of Commerce to cover net proceeds.
  - (a) Give student's Journal entries.
  - (b) Write student's letter to Smith on making the shipment.
  - (c) Give Smith's Journal entries.
  - (d) Open Smith's Ledger. Shew how to close the accts.

**EXERCISE II.**

1. (Student's Name.) shipped to A. Megraw, to be sold on commission, 2,000 bush. Fall Wheat, at \$1 per bush. Paid shipping expenses, \$40 with his Note at 60 days.
2. Megraw, on receiving the consignment, paid \$10 for unloading with his note at 10 days, and \$15 for drayage with cash.

3. Megraw sold the consignment to F. Corbett for \$2,600, and received in payment his own note for \$200, A. Blue's note for \$300, an order on James Brown for \$400, a check on the Merchants' Bank for \$300, the balance to remain on account.
4. Megraw rendered an Acct. Sales, charging 2% for commission,  $\frac{1}{4}\%$  for insurance and \$30 for storage.
  - (a) Give student's Journal entries.
  - (b) Make out the Acct. Sales (4).
  - (c) Give Megraw's Journal.
  - (d) Classify the accounts in Megraw's Ledger.

## EXERCISE III.

1. Smith shipped to (Student's Name.) to be sold on the acct. and risk of the Shipper, 100 bbls. Extra Flour at \$5: 400 bush. Fall Wheat at \$1, and paid shipping expenses, \$30, with his sight draft on C. Dickson.
2. (Student's Name.), on receipt of the consignment, paid freight, \$40, with his draft at 60 days on A. Campbell; charges for unloading, \$15, with his check on Bank of Commerce; and drayage, \$10, with his order on Wm. Muir.
3. (Student's Name.) sold the Flour to James Johnson at \$6.50 per bbl., and received in payment a sight draft on H. A. May for \$20: a draft at 30 days on W. Milne for \$20; and check on the Molsons Bank for balance.
4. (Student's Name.) sold the Wheat to C. Kerr at 90c., and received in payment his note for \$30, and a check on Bank of Commerce for balance.
5. (Student's Name.) charged  $2\frac{1}{2}\%$  commission for selling, \$15 for storage, and rendered on Acct. Sales, remitting a Bill of Exchange bought at  $\frac{3}{8}\%$  premium with net proceeds.
  - (a) Give student's Journal entries.
  - (b) Give May's entry and also Milne's entry (3).
  - (c) Write all the student's correspondence with the Consignor in the order of its occurrence.
  - (d) Give Smith's Journal.

## EXERCISE IV.

1. Bought of R. Mills, on 3 months' credit, goods valued at \$200. Paid freight on the same in cash, \$4.
2. Received Wm. Henderson's note at 3 months in payment of account, \$50.
3. Received cash for the sale of J. Scott's goods, \$40.
4. Discounted for H. Hill his note (No. 4) @ 4 months, for \$500; Discount off, \$10. Paid Net Proceeds  $\frac{1}{2}$  in goods from store and  $\frac{1}{2}$  in goods from J. Scott's Consignment.

5. Gave R. Mills our check on the Molsons Bank for \$100.
6. Shipped by the G. T. R., by order and for acct. of Taylor & Co., an Invoice of goods amounting to \$500. Paid freight on the same in cash, \$25. My commission at 3% is \$15.
7. Lent J. Smith cash, \$5.
8. Found in till a counterfeit \$10 bill.
9. Bought at an auction sale Mdse. for cash, \$200. Sold it immediately at an advance of 5% receiving a check in payment.
10. Received cash, from J. Smith, \$5. (7).
  - (a) Give the Journal entries.
  - (b) Write the communication to Taylor & Co. in No. 6.
  - (c) What is the object of keeping a Freight Account? How should it close?
  - (d) Does transaction No. 6 affect the Freight Account? Explain fully.

## EXERCISE V.

1. Received from Massey & Co., for sale on their account, an invoice of goods amounting to \$800. Paid freight in cash \$20.
2. Accepted Massey & Co's draft on us, owing to the above consignment, for \$400.
3. Sold E. H. Parks, on his note at 6 months, indorsed by B. Lawton, merchandise from Massey & Co.'s Consignment, \$300.
4. Shipped to S. Davidson & Co. 400 bush. Fall Wheat at \$1.00; 300 bush. Spring Wheat at 90c., for their account and by their order. Paid freight and other charges with A. Brook's acceptance at 60 days, \$24.
5. Shipped to S. Davidson & Co., for sale on my account and risk, 200 bush. Fall Wheat at \$1.10. Paid freight on same per check \$8.
6. Shipped to M. L. Sanderson, 300 bush. Fall Wheat from Manning & Macpherson's Consignment, No. 1. Paid freight on the same by giving an order on A. G. Hay for \$25.
7. Paid W. Huston's sight draft on me for \$500 in favor of John Doyle, with goods from store, \$300; goods from Massey & Co's Consignment, \$100; check for balance.
  - (a) Journalize the foregoing.
  - (b) Draw the note for No. 3.
  - (c) Make the sight draft for No. 7.
  - (d) Make out the invoice for No. 4.



## SET IX.—GRAIN AND COMMISSION BUSINESS.

*Books used—Journal, Ledger, Cash Book, and Bill Book, the last as an auxiliary.*

- Nov. 1, 1886.—(.....<sup>Student's name.</sup>.....) commenced the Grain and Commission business, investing as follows:
- Resources.—Cash on hand, \$1,500; 400 bush. Fall Wheat at \$1; 1,000 bush. Oats at 40c.; R. Mills owes on account \$400.
- Liabilities.—I owe W. Marling on account \$100, and F. Fraser, on account, \$50.
2. Deposited in Bank of Commerce \$1,400. Shipped to Fisher & Son, Montreal, to be sold on my account and risk, 500 bush. Oats invoiced at 40c.; 200 bush. Fall Wheat invoiced at \$1. Paid shipping expenses with cash \$20.
  3. Bought of W. Young 500 bush. Wheat at 90c. Gave in payment my draft at 30 days on R. Mills for \$400 and check for balance.
  4. Received from R. Fowler, Kincardine, to be sold on his account and risk, 1,000 bush. Barley, invoiced at 45c. Paid freight, \$30, with cash.
  5. Accepted W. Marling's draft on me at 10 days' sight in favor of G. King for \$100.
  6. Sold from R. Fowler's Consignment, No. 1, to J. Matheson 500 bush. Barley at 45c. Received in payment his note at 30 days.
  8. Shipped to Fisher & Son, Montreal, (2nd shipment,) 400 bush. Oats invoiced at 40c. and 500 bush. Wheat at 90c. Paid shipping expenses \$40 with my order on Fisher & Son.
  9. Bought of John Young, on one month's credit, 1,000 bush. Oats at 35c.; 500 bush. Barley at 50c. and 300 bush. Wheat at 80c.
  10. Sold Tait & Co. 500 bush. Oats at 42c.; 300 bush. Wheat at \$1.05. Received in payment an order on Robert Ewing for \$200, the balance to remain on account.
  12. Fisher & Son rendered an Account Sales of the goods shipped to them on the 2nd inst. They remitted my net proceeds in cash, \$450, which I immediately deposited.
  13. Robert Ewing paid his order received from Tait & Co. on the 10th inst. with his check \$200.
  15. Sold for cash to L. M. Stark 500 bush. Barley, at 52c., being the remainder of R. Fowler's Consignment, No. 1. Deposited in bank, cash \$400. Paid Marling's draft of the 5th inst. with check \$100.
  17. Closed R. Fowler's Consignment, No. 1, and rendered an Account Sales. Commission 2% on sales, \$—. Storage 2c. per bush., \$—. Check remitted for net proceeds.
  18. Bought of M. C. McCaul 600 bush. Oats at 30c. Gave in payment my note at 30 days for \$100 and my order on Tait & Co., for \$80.
  19. Shipped to Sloan & Williams, Montreal, to be sold on my account and risk, 1,200 bush. Wheat invoiced at 80c. Paid shipping expenses, \$30, with cash \$20 and my sight draft on Tait & Co. for \$10.

20. Bought of A. Hilker 1,300 bush. Wheat at 80c. Gave in payment my check on the bank.
23. Received from Fisher & Son an Account Sales of my 2nd shipment made to them on the 8th inst. Net proceeds \$700, which is placed to my credit in their books.
27. Received from R. Fowler, Kincardine, (2nd Consigt.) to be sold on his account and risk, 1,000 bush. Barley. Paid freight, \$25, with check, and drayage, \$15, with cash.
29. Sold Robert Walker, 400 bush. Barley from R. Fowler's Consigt, No. 2, at 55c. Received in payment his note at 30 days for \$100, and his sight draft on Jas. Johnson for balance, \$120.
30. Discounted J. Matheson's note as per B. B. Discount allowed, \$15. Net proceeds deposited in Bank.

*Inventories, Nov. 30, 1886.*

Mdse.—300 bush. Wheat at 90c.; 1200 bush. Oats at 30c.;	
500 bush. Barley at 55c. Total .....	\$905
Shipment to Sloan & Williams, No. 1.....	990
Commission—2% on the part sold of R. Fowler's Consigt.	
No. 2.....	4 40

NOTE.—All the correspondence in connection with this set is to be systematically done by the student as in actual business.

*Statement—Set IX.*

ACCOUNTS IN LEDGER.	Dr.	Cr.	RESOURCES.	LIABILITIES.	GAINS.	LOSSES.
<i>Stock</i> .....		2550				
<i>Cash</i> .....	2080	1885	195			
<i>Merchandise</i> .....	3310	2495	905		90	
<i>Bills Receivable</i> .....	375	275	100			
<i>Bills Payable</i> .....	100	200		100		
<i>Bank</i> .....	2510	1689 30	820 70			
<i>Tait &amp; Co.</i> .....	325	90	235			
<i>Interest &amp; Discount</i> .....	15					15
<i>F. Fraser</i> .....		50		50		
<i>Ship't to Fisher &amp; Son, No. 1</i>	420	450			30	
<i>Commission</i> .....		10 70	4 40		15 10	
<i>R. Fowler's Consign't, No. 2</i>	40	220		180		
<i>Fisher &amp; Son</i> .....	700	40	660			
<i>Storage</i> .....		20			20	
<i>Ship't to Fisher &amp; Son, No. 2</i>	650	700			50	
<i>John Young</i> .....		840		840		
<i>Ship't to Sloan &amp; Williams, No. 1</i>	990		990			
<i>Stock's net Inv't.</i> .. \$2550						
“ “ <i>Gain</i> ... 190 10						190 10
“ “ <i>Worth</i> .....				2740 10		
	11515	11515	3910 10	3910 10	205 10	205 10

In the previous part of this chapter, it was the aim to establish the principles underlying the proper methods of dealing with shipments and consignments. The student who has grasped these principles is now in a position to make a practical application of them. As each branch of the Shipping and Commission business has its own peculiar requirements, it would be beyond the scope of this work to discuss these in particular. All that can be done is to exemplify in a general way, a method which is thoroughly practical, and which can easily be modified so as to meet the demands of any particular case. The books used are: a Commission Invoice Book, Commission Sales Book, Journal, Cash Book, Bill Book, and Ledger.

### THE COMMISSION INVOICE BOOK.

This book is the one into which the first entry of a consignment is made. When the invoice sent by the shipper is received by the consignee, he either pastes the original invoice, or enters an abstract of it, into this book. He will also number the consignments, respectively, 1, 2, 3, &c. As soon as a consignment is received, the invoice will be checked, the title of the consignment being entered (red ink) in the margin, and every box, package, &c., belonging to it will be marked with the *distinguishing* number given to it. Different consignments from the same person should be marked A., B., etc. For example, the third consignment received from Thos. Murray might be entitled: "(10) Thos. Murray's Consigt. C.," and the fourth: "(18) Thos. Murray's Consigt. D." The letter of the alphabet shews the order among those received from the same person or firm; while the number shews the order among those received from all parties. The Commission Invoice Book is used merely as an auxiliary.

### THE COMMISSION SALES BOOK.

Whenever a consignment is received, an account is opened with it in this book, having as its title that given to it in the Com. Invoice Book. This account is debited only for the actual amount which it *costs* the consignee for freight, drayage, storage, &c. It is credited with all *amounts* of sales as they occur. The method of posting from this book will be readily understood on examining the form shewn on pp. 100 and 101. Cash transactions are not posted from this book, but carried to the Cash Book. (No Cash Account is kept in the Ledger, as such would only cause additional work). When the goods belonging to a consignment are all sold, the account is charged with the commission, and an Account Sales is rendered. If the net proceeds are not remitted, the account in this book may be left open; or, it may be closed and the net proceeds may be placed to the credit of the consignor in the Ledger. If the net proceeds are remitted, the account with the consignment must be closed. The Com. Sales Book should be indexed just like the Ledger.

NOTE.—In making out the slips showing the sales, the clerks will use the Consignment *numbers*, as these are quite sufficient to identify the goods sold. Much time is saved by using the *distinguishing* numbers of the consignments instead of their full titles.

## SET X.—EXPLANATIONS.

In this set the books from which the posting is done are: the Cash Book, Journal, and Commission Sales Book. All cash transactions are transferred from the Cash Book to the Ledger, such of them as are connected with consignments being first carried from the Commission Sales Book to the Cash Book. Entries belonging to consignments appear in the Commission Sales Book, and all excepting those involving cash are posted therefrom to the Ledger. Other transactions are entered into the Journal. At the time of closing, it must be remembered that the Commission Sales Book forms part of the Ledger.

## SET X.—SHIPPING AND COMMISSION.

*Books used—Commission Invoice Book, Commission Sales Book, Cash Book, Bill Book, Journal and Ledger.*

—, March 1, 1887.

( Student's name. ) has this day commenced a General Shipping and Commission business, with the following Resources and Liabilities:

Resources.—Cash on hand, \$2,500; Goods in store valued at \$1,250; D. Gunn's note for \$730, dated Feb. 1, 1887, drawn at 3 mos., and bearing interest at 7%; interest accrued, \$—; A. G. McKay owes me on account, \$75.

Liabilities.—I owe J. H. Steele on account, \$150.

Engaged H. A. McLaren as book-keeper at \$50 per month, and John Boyd as clerk at \$30.

Took out open policy of insurance on warehouse and contents for \$5000 at  $\frac{5}{8}\%$ . Paid premium with cash, \$—.

3. Deposited in the Bank of Commerce cash, \$1,500.

Shipped to R. M. Mercer, Toronto, 45 Dressed Hogs, 9,720 lbs., at 6½c., to be sold on my account and risk. Paid shipping expenses with my check, \$25.

Paid cash for Fuel, \$10.

5. Received from A. G. McKay on account 10 tubs Butter, 450 lbs., at 14c.

Gave J. H. Steele my note at 10 days in full of account, \$—.

7. Received from Peter McGregor, Paisley, to be sold on commission, his first consignment, consisting of 180 bbls. Flour, invoiced at \$4. Paid freight, \$60, with my check, and drayage, \$20, with cash.

8. Sold Richard Baxter 100 bbls. Flour from Peter McGregor's Consignment at \$4.90. Received a sight draft on F. S. Sorby for \$300, an order on P. H. Somers for \$100, and a check on the Merchants' Bank for balance, \$—.

10. Received from R. M. Mercer an Account Sales of shipment to him of the 3rd inst. Net proceeds, \$750. He remitted a draft on the Molsons Bank, purchased with that amount. (Exchange  $\frac{1}{8}\%$ .)



11. Sold A. H. Manning 80 bbls. Flour from Peter McGregor's Consignment at \$5. Received in payment Samuel Barker's note for \$200, dated Jan. 14, 1887, at 4 mos., on which I am allowed discount at the rate of 6% for unexpired time; the balance to remain on account, \$—.
12. Received from E. P. Rice, Guelph, to be sold on commission, 50 kegs Butter, 2,250 lbs., invoiced at 13c. Paid freight with my check, \$7.50, and drayage with cash, \$2.50.
14. Rendered Peter McGregor an Acct. Sales, charging him  $2\frac{1}{2}\%$  com., \$5 for storage, and \$4.30 for insurance.  
Received from A. G. McKay, his note at 60 days, in full of account, \$—.  
Paid for Telegram, cash 25c.
16. Received from Peter McGregor, Paisley, his second consignment of Flour, 120 bbls. at \$4.80. Paid freight with my check, \$40, and drayage with cash, \$10.
17. Sold Alex. Mann on account, 20 Dressed Hogs, 3,600 lbs. at \$6.20 per 1 cwt.
18. Remitted Peter McGregor, on account, D. Gunn's note as per B. B., allowing discount at the rate of 6%, and cash for balance, \$—.  
(As this note bears interest, the amount when due must be discounted at 6% for the unexpired time.)
21. Sold Wm. Keefer from E. P. Rice's Consignment 30 kegs Butter, 1,420 lbs. at 15c.; from Peter McGregor's second Consignment, 40 bbls. Flour at \$5.50. Received in payment a draft for \$100 at 30 days' sight, on B. C. Mallory; a sight draft on A. Hilker for \$150, and a check for balance, \$—.  
(Mallory's acceptance taken at a discount of 2%).
22. Deposited in the Bank of Commerce, cash \$1,000.
24. Received from E. P. Rice, his second Consignment, consisting of 150 kegs Butter, 6,300 lbs. Paid freight \$13, and drayage \$4, with check.
25. Sold P. H. Somers on acct., from E. P. Rice's first Consignment, 20 kegs Butter, 830 lbs. at 15c.  
Paid cash for Coal Oil, \$1.60.
26. Discounted Mallory's acceptance at 8% per annum, and deposited proceeds.
28. Rendered E. P. Rice an Acct. Sales of his first Consignment, charging 3% commission, \$2.50 for storage and \$1.20 for insurance.  
Remitted Samuel Barker's note as per B. B., at a discount of 6% per annum and my check for remainder of net proceeds due the shipper.
29. Sold R. A. Foster for cash, 100 bbls. Flour at \$5.20.
30. Sold John Hardy the remainder of Peter McGregor's second consignment at \$5.60 per bbl. Received in payment a draft on the Bank of Montreal for \$200, a sight draft on Thos. Fraser for \$100, and an order on J. H. Steele for \$148.



30. Rendered Peter McGregor an Account Sales of his second consignment. Charges: commission, 3% of sales; storage, \$4.50; insurance, \$3.50. Remitted the foregoing sight draft on Thos. Fraser, the balance of net proceeds being placed to the credit of shipper.

Received from P. H. Somers, M. S. Mercer's note for \$125, dated Jan. 4, 1887, at 3 months, and his check on the Bank of Montreal, to balance account.

31. Deposited in the Bank of Commerce, cash \$15.

A. H. Manning paid cash in full of account, \$—.

Paid H. A. McLaren \$50, and John Boyd \$30 per check.

*Inventories, March 31.*

Mdse.—Goods remaining unsold .....	\$86 09
Expense.—Fuel on hand.....	4 17

Result.—Net gain, \$200. Net capital at closing, \$4,608.92.

## COMMISSION

(1) *P. McGregor's*

## CHARGES.

1887									
Mar.	7		Bank of Commerce	Freight on 180 lbs. Flour, valued at \$7.20 .....	60				
"	"	✓	Cash	Drayage .....	20				
"	14		Commission	My commission at $2\frac{1}{2}\%$ .....	22	25			
"	"		Insurance	.....	4	30			
"	"		Storage	.....	5				
								111	55
"	"		P. McGregor*	Net proceeds .....				778	45
								890	

\* When this account is closed an account with P. McGregor is opened in the Ledger. It is Cr. "By P. McGregor's Consignment, \$778.45." Some accountants do not close such as this until the remittance is made.

(2) *E. P. Rice's* ‡

## CHARGES.

1887									
Mar.	12		Bank of Commerce	Freight on 50 kegs Butter, 2,250 lbs., valued at \$292.50 .....	7	50			
"	"	✓	Cash	Drayage .....	2	50			

‡ This account is filled only in part. The student is expected to do the rest himself. There will be two other accounts in the Commission Sales Book, viz.: "(3) P. McGregor's Consignment B," and "(4) E. P. Rice's Consignment B."

## SALES BOOK

*Consignment A.*

[illegible]

† Journal entry: A. H. Manning, Dr. \$2.20. Int. and Dis., Cr. \$2.20.

*Consignment A.*

[illegible]

## JOINT ACCOUNTS.

When two or more persons (or firms) unite in the purchase and sale of some particular article or articles, with a view to making a profit thereby, a *special partnership* is formed, and the goods are said to be bought and sold on **Joint Account**.

The partners do not carry on business under a firm title, as in the case of a general partnership, for the joint interest extends only to the transactions connected with the articles specified at the time the contract was made. It is usual to appoint one of the persons concerned as *Manager*, and to define his duties as such.

Whenever goods are purchased or otherwise provided for the joint speculation, it becomes the duty of the partner who supplied them to furnish each member with a copy of the invoice. On the disposal of the property, the manager will render an **Account Sales** to each.

“**Shipment Co.**” or “**Adventure Co.**” is a representative title under which the amount of *our interest* in goods or other property to be sold on joint account is placed.

“**Merchandise Co.**” is a title representing goods *received by us* to be sold on joint account.

## SHIPMENT CO.'S.

Debit Shipment Co. for <i>our interest</i> in property shipped by us, or furnished by others, to be sold on our joint account and risk, and also for <i>our share of expenses</i> on the same.		Credit Shipment Co. for <i>our share of the net proceeds</i> when an <b>Account Sales</b> is received.
--	--	--

If at the time of closing the books, a part of the goods remains unsold, and if an account of partial sales has been received, Shipment Co. should be *credited* for our share of the proceeds, as well as for our interest in the property remaining unsold.

If no **Account Sales** has been rendered, Shipment Co. should be *credited* “*By Balance Inventory*” for the amount necessary to close the account.

Shipment Co.'s are closed either “**To**” or “**By Loss and Gain**.”

Different Shipment Companies are distinguished by numbering them or by affixing letters of the alphabet, as: “**Shipment Co., No. 1.**” “**Shipment Co., No. 2.**” “**Shipment Co., A.,**” &c.

## MERCHANDISE CO.'S.

Debit Mdse. Co. for <i>our interest</i> in the property received, and for <i>all the charges</i> on the whole shipment.		Credit Mdse. Co. for the <i>proceeds of sales</i> .
---	--	---

At the time of closing, Mdse. Co. will be debited for all *unposted* charges for the net proceeds due the shipper, and for *our share of the net*

*gain* (if any). When there is a loss, Mdse. Co. will be credited for *our share* of it.

When a remittance to cover shipper's net proceeds is made at the time of rendering the Account Sales, the account or accounts representing what is remitted should be credited, instead of the shipper.

If at the time of closing the books the property belonging to the Co. Sales should be but partially sold, Mdse. Co. would have to be credited "*By Balance Inventory*" for only, our share of the goods on hand, the remainder being owned by the shipper or shippers.

With regard to the commission earned on Co. Sales partially disposed of, the method explained on page 88 should be adopted. Sometimes such amounts of commission are left out of consideration altogether at the time of closing the books. This may be done when these amounts are small, and it is not important to find the exact gain or loss for a particular term of business.

If no sales have been made, Mdse. Co. should be credited "*By Balance Inventory*" for the sum necessary to close the account.

At first sight it may seem a little strange to regard the charges for which we have debited the Mdse. Co. as a resource, but on reflection it will be seen that this is the proper view to take. Certainly, we have paid a portion of these charges for ourselves, thereby increasing the cost of our share of the goods. Is it, therefore, not reasonable to consider the goods belonging to the Co. Sales worth their total cost? If so, the position we take is the proper one; for the remainder of the charges we in reality, pay for the other partners, who will practically refund to us the amount we have paid for them when a settlement is effected.

Different Merchandise Companies are usually distinguished by affixing letters of the alphabet, as "Mdse. Co., A," "Mdse. Co., B," &c.

**TO FIND THE NET PROCEEDS.**—From total sales deduct total charges, such as freight, storage, insurance, commission, &c., and the remainder will be the net proceeds of the business. This being done, the part belonging to each person is found by dividing the whole according to agreement.

**TO FIND OUR NET GAIN.**—From our net proceeds deduct our net cost, and the remainder will be our net gain. If our net proceeds are less than our net cost, the difference, will, of course, be a loss.

Company accounts are generally closed whenever the property belonging to them is disposed of.



## EXAMPLES.

## TRANSACTIONS.

## JOURNAL ENTRIES.

1. D. S. Baker shipped to S. L. Mason, to be sold in joint account, 650 bbls. Apples, invoiced at \$1.80. The shipper took 300 bbls. from his own warehouse, and the rest he bought of Taylor, giving in payment Jones' check on the Molsons Bank. He paid shipping expenses \$30 with his sight draft on Cameron.

Baker's entry).			
<i>Shipment Co.</i>	<i>Dr.</i> .....	600	
<i>Mason</i>	<i>"</i> .....	600	
	<i>To Mdse.</i> .....		540
	<i>" Cash</i> .....		630
	<i>" Cameron</i> .....		30

2. Mason, on receiving the Apples, paid freight \$80, and drayage \$10, with cash.

(Mason's entry.)			
<i>Mdse. Co.</i>	<i>Dr.</i> .....	690	
	<i>To Baker</i> .....		600
	<i>" Cash</i> .....		90

3. Mason sold the whole consignment (less 10 bbls. damaged) to Welsh & Co. at \$2.60, and received in part payment Miller's note for \$200, due in 3 months (discount 8% per annum), and Wilson's sight draft on Manning for \$150.

(Mason's entry.)			
<i>Bills Receivable</i>	<i>Dr.</i> .....	200	
<i>Cash</i>	<i>"</i> .....	150	
<i>Welsh &amp; Co.</i>	<i>"</i> .....	1318	
	<i>To Mdse. Co.</i> .....		1664
	<i>" Int. and Dis.</i> ....		4

4. Mason charged 2% for selling, 2c. per bbl. for storage,  $\frac{1}{2}\%$  for insurance, and rendered an Account Sales remitting Wilson's sight draft on Manning as above, and an order on Welsh & Co. to settle with Baker.

(Mason's entry.)			
<i>Mdse Co.</i>	<i>Dr.</i> .....	974	
<i>Baker</i>	<i>"</i> .....	600	
	<i>To Commission</i> .....		33 28
	<i>" Storage</i> .....		13
	<i>" Insurance</i> .....		5 85
	<i>" Cash</i> .....		150
	<i>" Welsh &amp; Co.</i> .....		1210 93
	<i>" Loss and Gain</i> ....		160 94

5. Baker received the Account Sales and remittance.

(Baker's entry.)			
<i>Cash</i>	<i>Dr.</i> .....	150	
<i>Welsh &amp; Co.</i>	<i>"</i> .....	1210 93	
	<i>To Shipment Co.</i> .....		760 93
	<i>" Mason</i> .....		600

*Account Sales of 650 bbls. Apples, sold on joint account of  
D. S. Baker and S. L. Mason, each one-half.*

<i>Sales.</i>					
<i>Sold to Welsh &amp; Co. 640 bbls. (10 damaged) at</i>					
.....	\$2 60			1664	
<i>Charges.</i>					
<i>Freight and Drayage</i> .....	90				
<i>Storage</i> .....	13				
<i>Insurance</i> .....	5	85			
<i>Commission</i> .....	33	28		142	13
<i>Total net proceeds</i> .....				1521	87
<i>My <math>\frac{1}{2}</math> net proceeds</i> .....	\$760 94				
<i>Your <math>\frac{1}{2}</math> net proceeds</i> .....	760 93				
<i>Remitted by sight draft on Manning and order on Welsh &amp; Co. to cover net proceeds and close account</i> .....	\$1360 93				
<i>E. &amp; O. E.</i>	<i>S. L. MASON,</i>				
	<i>Consignee.</i>				
<i>Clinton, June 9, 1887.</i>					

In the following exercises, the student will give the partners' Journal entries and make out the Account Sales in each case. He will also write the correspondence required.

#### EXERCISE I.

1. Monroe shipped to Gilroy for sale on joint account, 1,200 bush. Wheat, invoiced at 90c., and paid shipping expenses with cash, \$30.
2. Gilroy on receipt of the Wheat paid freight, \$50, with his check, and drayage \$10, with cash.
3. Gilroy sold the whole shipment to Kerr & Co. for \$1,200, receiving in payment Brown's sight draft on Jones for \$500; McKay's acceptance due in 10 days for \$400; an order on Corbett for \$100; the balance to remain on account.
4. Gilroy charged 2% commission, \$10 storage, \$3 insurance, and rendered an Account Sales, remitting Brown's sight draft as above, and his own note at 20 days, to cover the amount due the shipper.

#### EXERCISE II.

1. A shipped goods, invoiced at \$1,250, to B, for sale on joint account and paid shipping expenses \$25, with his note.

2. B, on receipt of the goods, paid freight \$30, with cash and drayage \$6.50, with his check.
3. B sold the whole of the goods to C for \$1,440, and received in payment C's sight draft on D for \$600; E's acceptance for \$700 short due 10 days, and G's check for balance, \$—.
4. B rendered an Account Sales, charging 3% commission, \$3.50 for storage, and \$1.45 for insurance. He remitted a bank draft purchased with the amount required to settle in full with the shipper.

## EXERCISE III.

1. Avery shipped to Black for sale on joint account 2,500 bbls. Apples, invoiced at \$1.20 per bbl. Paid cash, \$20, for loading.
2. Black, on receipt of the Apples, paid freight, \$160, with his check; he also paid drayage, \$20, with cash.
3. Black added to the joint sales 500 bbls., which he purchased from McLeod at \$1.10, giving in payment his sight draft on Murray for \$400 and his note at 10 days for the balance, \$—.
4. Black sold the whole of the Apples (less 10 bbls. which spoiled) to Mason at \$1.70. He received in payment Hilker's acceptance due in 15 days for \$800, Bruce's sight draft on McKay for \$400, and Mason's check for the balance, \$—.
5. Black charged 2c. per bbl. commission for buying and selling, \$30 for cooperage, \$10 for insurance, and \$20 for storage; and rendered an Account Sales, remitting to Avery, Bruce's sight draft as above in part payment of net proceeds.

## EXERCISE IV.

1. A. Ruby shipped to Morris & Co., for sale on joint account, 2,500 bbls. Apples, at \$1 per bbl., paying shipping expenses \$175, with his check on the Merchants' Bank.
2. Morris & Co., on receipt of the Apples, paid \$15 drayage with cash.
3. Morris & Co. sold A. McGarva, from the consignment, 1,000 bbls. at \$1.25 per bbl., and received in payment their own note for \$400; McGarva's note for \$600; and a check on the Merchants' Bank for balance.
4. Ruby drew at sight on Morris & Co. for \$500.\*
5. Morris & Co. sold W. H. Houston on acct., 800 bbls. at \$1.30, from the Co. Sales.
6. Morris & Co. sold H. J. Taylor 680 bbls. (the remaining 20 bbls. being useless), at \$1.40 per bbl., and received in payment his note at 30 days for \$300; an order on D. L. Brown for \$120, and cash for balance.
7. Morris & Co. charged  $2\frac{1}{2}$  cts. per bbl. storage,  $\frac{1}{4}\%$  insurance (on invoice price), and 2% commission. They render an Account Sales remitting a draft on the Molsons Bank, purchased with the amount due A. Ruby.

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\* Ruby will credit Morris & Co., not Shipment Co. Morris & Co. will debit Ruby.

## EXERCISE V.

——— *May 16, 1887.*

- Student shipped to Murray & Cassidy to be sold on joint account 5,000 bush. Wheat, invoiced at 80c., which he purchased of Muir & Co., giving them in payment his note at 10 days for \$1,000, an order on S. K. Brown for \$500, and his check on the Bank of Montreal for balance. Student paid shipping expenses, \$40, with cash.
20. Murray & Cassidy, on receipt of the Wheat, paid freight, \$60, with check, and drayage, \$10, with cash
21. Murray & Cassidy added to the consignment 1,000 bush. Wheat, purchased of S. Taylor at 85c. They gave in payment a sight draft on Cameron & Campbell.
23. Murray & Cassidy sold the whole consignment to Robert H. Carson, 6,000 bush. Wheat at \$1. They received in payment their own note for \$1,000, short due 73 days, at a discount of 6% per annum; a 90-day draft on Pallister & Co. for \$1,500, and a sight draft on Kellar & Co., for \$2,000; the balance to remain on account.
25. Murray & Cassidy rendered an Account Sales, charging 3% commission for selling, 2% for buying, \$60 for storage, and \$10.50 for insurance. They remitted the foregoing sight draft on Kellar & Co., and a draft on the Molsons Bank for which they gave cash to settle in full with student.

## CHAPTER VII.

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### PARTNERSHIP.

When two or more persons, by mutual consent, unite either the whole or a part of their property or services, for the purpose of performing a work, or carrying on a business, and agree to *share in the gains and losses*, a **partnership** is said to be formed.

No contract can properly be called a partnership unless there is *community of profit*.

A partnership may have for its object the prosecution of any *lawful* enterprise. The contract need not be in writing, as the acts of the parties concerned are taken as evidence of its existence. Although an oral agreement is quite legal, it is usually more satisfactory to have a written document giving full particulars.

Any person of sound mind and not under legal disability, may be a **partner**.

An **active partner** is one who has an interest in the business, and is *known to the public* as a partner.

A **silent or dormant partner** is one who has an interest in the business, but is *unknown to the public* as a partner.

A **nominal partner** is one who allows his name to be used for the benefit of the firm, *without having any pecuniary interest* in its business.

A **special partner** is one who is held liable for only a *specified amount*.

Generally speaking each member of a firm is responsible for the acts of the firm, or of any of its members, these acts being *within the scope* of the partnership.

It is, therefore, indispensable that the utmost *good faith* should be maintained between partners.

A partner cannot bind the firm by contracts clearly *out of the ordinary course* of business; but the firm is responsible for even the fraudulent acts of any of its members committed within the proper limits of the partnership.

When a new partner is admitted, he is under no obligation to pay any debts, or fulfil any contracts of the old firm (unless he agrees to assume them), as an entirely new partnership is formed.

Trading partnerships must be *registered* within the first six months of their existence. Changes of membership must also be registered.

A partnership may be **dissolved** as follows :—

(a) By the *consent* of the partners.

(b) By the *death* of one of the partners or by his becoming *legally incapacitated* for transacting business.

(c) At the *expiration of the term* of the contract; or on the *completion of the work* undertaken.



(d) At the *request* of one of the partners when the time is indefinite.

(e) By the *bankruptcy* of a partner, or of the firm.

[NOTE.—There are other circumstances which might cause a dissolution, but the consideration of them would be beyond the limits of this work.]

All cases of dissolution, except those resulting from process of law, bankruptcy, or the death of a partner, should be registered. Due notice should be given in the local papers, and also to all parties who usually dealt with the firm.

In a partnership business it is necessary to keep an account in the Ledger with *each* partner.

### PARTNERS' ACCOUNTS.

Debit each partner for his *liabilities assumed* by the firm at commencing, for his *withdrawals*, and for his *net loss* (if any) at the time of closing.

Credit each partner for his *investment*, and for his *net gain* (if any) at the time of closing.

When it is likely that several amounts may be withdrawn during a term of business, the best plan is to open a **private account** with each partner, debiting it for sums *taken out for private use* by him and crediting it for sums *invested*. These accounts will be closed into their respective Stock Accounts, before balancing the Ledger.

Before taking a new partner into a business the books should be closed so that the true state of affairs may be known to all parties concerned. Such a course will prevent any misconception in regard to the finances of the business, and thus save trouble when a settlement is to be made.

The newly admitted partner is credited with his investment, after which he becomes a sharer in the gains and losses as per contract.

### PARTNERSHIP SETTLEMENTS.

By a partnership settlement is meant the equitable distribution of the effects of a firm at the end of a term of business, or at the time of dissolution.

When a partnership ceases, the books are usually left in the hands of one of the members of the late firm, until a proper adjustment of the proceeds is made. The books must be balanced and the losses or gains, being apportioned according to the terms of contract, must be transferred to the partners' accounts, respectively. A financial statement will be made and a copy of it given to each partner, so that he can make the proper entries in his own books.

In his own **private books**, each partner will hold the firm Dr. for the amount *placed to his credit* in the partnership books, and make the firm Cr. for all sums *received in payment* from it.

In the **partnership books** each partner's account is made Dr. for all values *paid to him* by the firm, while the accounts representing such values are made Cr.

When partners invest equal amounts and give their time and attention to the business, it is customary to divide the gains and losses equally.

When partners invest equally, but one of them manages the business, he should be allowed a fair salary for his work, the balance of the profits being shared according to investment.

If two parties, say, invest unequal amounts, the one contributing the smaller sum should pay the other interest on *one-half* the difference between the investments. This being done, the gains and losses should, in fairness, be shared equally.

### EXERCISE I.

Three men, A, B and C, form a partnership, investing equal amounts. A receives \$1,000 and pays expenses, \$260; B receives \$360 and pays expenses, \$240; C receives \$1,200, and pays over to B, \$400. They have at the time of dissolution, mdse. on hand, \$300, which B agrees to take. What payments must be made to effect a settlement?

### EXERCISE II.\*

—, April 18th, 1887.

Smith and Murray this day agree to carry on a partnership business, the gains and losses to be divided in proportion to investment.

Smith invests: Cash, \$700; mdse., \$1,300; A. Wilkin's draft for \$150 on S. A. Cooper, dated April 1, 1887, at 60 days; balance in favor of P. M. Campbell, \$30.

Murray invests: Cash, \$1,800; balance of John Kennedy's account, \$400.

May 2. Smith withdraws cash, \$50.

May 9. Murray withdraws cash, \$30.

May 31. The firm has cash on hand, \$1,600; merchandise in store, \$2,000; amount due on personal accounts, \$440; others' notes on hand, \$800; notes outstanding, \$143; the Expense Account is Dr. for \$140.

(a) Open the partners' accounts and make the entries in them.

(b) Find the loss or gain; divide it according to agreement and close the accounts.

(c) Explain the terms, *partnership*, *nominal partner*, and *silent partner*.

### EXERCISE III.

—, June 6th, 1887.

A, B and C agree to do a partnership business as follows: A is to receive 2% of the sales as manager, and B 1% as clerk. A invests cash \$2,000; B, merchandise, \$1,500; and C a draft at 90 days on Macpherson & Co., for \$3,000, dated May 17, 1887, which is immediately discounted at the Merchants' Bank, at 5% per annum. Proceeds placed to the credit of the firm, \$—

9. Deposited in the Merchants' Bank, cash, \$1,500.

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\*As the sums withdrawn are small, comparatively, the amount each has in the business before closing, may be regarded as his net investment.

10. Bought of D, 2,000 bush. Wheat at 90c. Gave in payment, check on the Bank.
  21. Sold to E, \$1,500 bush. Wheat at \$1; 300 bbls. Flour at \$5. Received in payment his note at 30 days for \$1,500, and cash for the balance \$—.
  24. Bought of D, 1,500 bush. Wheat at 84c.; 500 bush. Peas at 50c. Gave in payment E's note at a discount of  $5\%$  per annum for unexpired time. Paid the balance in cash.
  27. Paid expenses with cash, \$80.
  30. Sold out the entire stock of goods for cash, \$2,500.
- (a) Open all the necessary accounts and make the proper entries in them.
  - (b) Make out a statement of Losses and Gains. Find the net gain of each.
  - (c) Close the accounts.
  - (d) What is necessary to constitute a partnership?
  - (e) Name five ways by which a partnership may be dissolved.

### SET XL—SIX-COLUMN JOURNAL.

A very convenient form of Journal Day Book is here introduced. By referring to pages 114 and 115, it will be seen that there are special columns for cash and merchandise debits and credits. The amounts placed in the *Sundries* column are posted *separately* every day, and the page of the ledger to which each is transferred, is placed opposite it in the column headed "L. F." At the end of the month the cash and merchandise columns are added, and the *totals* are carried to their respective accounts in the Ledger. The cash balance may be found every day if necessary, and the amount of it entered in red ink. The Ledger pages of the Cash and Merchandise accounts will be entered in the proper column, opposite the footings of the corresponding special columns.

In actual business it will be found advantageous to have a column for every account to which a considerable number of items belongs. For instance, if notes are handled extensively, there should be special columns for *Bills Receivable* and *Bills Payable*.

The *advantages* of the special column Journal are as follows :

- (a) Much time is saved by posting totals instead of separate amounts.
- (b) The probability of making errors is reduced to a minimum.
- (c) The monthly footings of the special columns being shewn, comparisons can easily be made.
- (d) This book takes the place of the Day Book, Journal, Cash Book, Invoice Book and Sales Book. [It is always necessary to keep a Bill Book when many notes enter into the transactions of a business.]

## SET XL—HARDWARE BUSINESS.

\* *Books used.*—*Six Column Journal, Bill Book, and Ledger.*

(TWO PARTNERS.)

——— *May 2nd, 1887.*

(Student's name here) and L. M. Hay have this day entered into a co-partnership to carry on a Wholesale and Retail Hardware business on ——— Street, agreeing to share gains and losses according to investment. The business is to be conducted under the firm name of (Student's name here) & Hay.

(Student's name here) investment: Cash, \$1,000; A. B. Matheson's acceptance \$750 at 1 month, dated April 20; Wm. Mann owes on acct., \$200; David Marshall has to his credit \$14. Total, \$—.

L. M. Hay's investment: Cash, \$410; Merchandise, \$1,250; John Jamieson owes on acct., \$300. Total, \$—.

2. Bought of Thos. Campbell, mdse. as per invoice, \$600. Gave in payment an order on Wm. Mann for \$50, and cash for balance, \$——. Paid in advance, two months' rent, \$60.

4. Deposited in the Merchants' Bank, cash, \$700. Sold M. Cameron for cash 1 doz. chest Locks at 25c. a piece; 2 doz. prs. chest H'dles at 20c. per pr., \$——.

5. Bought of Massey & Co., goods as per invoice, \$400. Gave check in payment.

Sold Jas. Lambert for cash, 2 doz. Royal Canadian Wringers at \$5; 500 gals. Machine Oil at 50c.; 4 doz. Hay Forks at 50c.; 3 doz. Spades, D. H'dle, at \$1.10; 4 doz. Steel Shovels at \$1. \$——  
Deposited cash, \$481.60.

6. Sold Neil Cairns 4 gals Turpentine Varnish at \$1.50; 12 gals. Machine Oil at 60c.; 4 pkgs. White Lead at \$2; 100 lbs. Venetian Red at 5c. Received in payment a draft at 30 days on Wm. Malcolm, \$——.

7. Sold Robert Calder 1 Royal Canadian Wringer at \$5.50; 2 prs. Match Planes at \$1.50 per pr.; 1 carpenter's Mortise Gauge at \$1; 4 Scan. Padlock's at 50c., \$——. Received in payment his order on W. Howson.

Shipped to F. McKay, St. Catharines, to be sold on our acct. and risk, goods invoiced at \$800. Paid shipping expenses on the same with check, \$50. Paid cash for stationery, \$2.50

Sold Jas. Johnson, 2 doz. Spades, D. H'dle, at \$1.25 each; 2 doz. Shovels at \$1 each. Received in payment a check on the Bank of Montreal for \$40, and cash for balance.

Discounted A. B. Matheson's acceptance as per B. B.' at the Bank, at the rate of 6%/. Proceeds deposited, \$——.

Paid for stationery and postage, \$1.50.

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\* The pupil will understand that the invoices must either be pasted in a book for the purpose or properly filed, so that they may be referred to conveniently. A Check Book and Bank Pass Book must also be kept to shew the dealings with the Bank.



16. Received from John Jamieson on acct., an order on John Wilson for \$70; W. Barker's note at 2 months, dated May 1, 1887, for \$50; and his own note at 30 days for balance.
18. Paid cash for stationery, 50c.
20. F. McKay rendered an Account Sales of the goods shipped to him on the 8th inst. Net proceeds, \$900. He remitted a draft on Bank of Commerce, purchased with that amount.
23. Received from W. Mann, on account, his check on Bank of Hamilton \$100; W. Mill's acceptance of 30 days sight, dated May 11, 1887, for \$30.
25. Shipped F. B. Baker, Hamilton, to be sold on our account and risk, goods invoiced at \$600. Paid transportation charges with check, \$20.
27. Sold D. Marshall on account, 2 Jack Planes at \$1; 1 Try Plane at \$1.60; 3 Jointers at \$1.80; 6 Framing Chisels at \$1; 3 Hand Saws at \$1.50; 1 Rip Saw at \$2. 1 Plumb and Level at \$2; 3 Brick Trowels at \$1; 4 Plastering Trowels at \$1.25.
28. W. Howson paid his order received from R. Calder on the 7th inst., \$—.
30. Drew on F. B. Baker at 30 days for \$50.
31. Paid clerk's salary, \$30.

*Inventory:*

Mdse.—Goods unsold .....	\$472 40
Expense.—One month's rent paid in advance .....	30 00
Shipment to Baker.....	620 00



## JOURNAL.

—, May 2, 1887.

SUNDRIES.	CASH.	MDSE.	L. F.	(Student's name) and L. M. Hay have this day entered into a partnership to carry on a Wholesale and Retail Hardware business under the name of (Student's surname) and Hay, agreeing to share gains and losses according to capital invested.	L. F.	MDSE.	CASH.	SUNDRIES.
750	1000			Cash Dr.....				
200				Bills Rec. ".....				
				Wm. Mann ".....				
				To David Marshall.....				14
				" (Student's name).....				1936
				(Student's) Investment—Cash, \$1000; A. B. Matheson's acceptance as per B. B., \$750; Wm. Mann owes on a/c, \$300; David Marshall has to his credit, \$14.				
				Cash Dr.....				
	410			Mdse. ".....				
		1250		Jno. Jamieson ".....				
				To L. M. Hay.....				1960
				L. M. Hay's Investment—Cash, \$410; Mdse., \$1,250; Jno. Jamieson owes on a/c, \$300.				

	Mdse.	"	Dr..... To Wm. Mann..... "Cash.....	550	780	400	4360
			Bo't of Thos. Campbell Mdse. as per invoice, \$600. Gave in payment an order on Wm. Mann; cash, \$550.				
60	Expense	"	Dr..... To Cash..... Paid two months' rent in advance, \$60.	60			
700	Merchants' Bank	4	Dr..... To Cash..... Deposited in Merchants' Bank, \$700.	700			
	Cash	"	Dr..... To Mdse..... Sold M. Cameron for cash,— 1 doz. Chest Locks @ 25c.....\$3 2 doz. prs. Chest Handles @ 20c..... 4 80		780		
	Mdse	5	Dr..... To Merchants' Bank ....  Rt't of Massey & Co. Goods as per invoice, \$400, giving my check.				
			..... Amounts forward .....		780	400	4360
2010		1417		80			
							2250

As a new partner is to be taken into the concern, the books will be closed, and a statement shewing the condition of the business made out. This being done faithfully, there can be no dispute afterwards in regard to the standing of the partners at the time the new partnership is formed.

The pupil will see that it is absolutely necessary to close the loss and gain accounts, in order to give each member of the firm credit for his share of the net gain, or to debit him for his share of the net loss, as the case may be.

Although it is customary when admitting a partner, to close the resource and liability accounts, it is not indispensable that such should be done, for the simple reason that the closing of an account, shewing by the difference between its sides, a resource or liability, does not effect any *important* change, as the balance must be brought down on re-opening the account.

## BALANCE SHEET.

(Student's surname) & Hay.

(Taken May 31, 1887.)

1887			1887		
Resources.		L. F.	Liabilities.		L. F.
May 31	Cash on hand....	1137 67	May 31	(Student's name)	
	Mdse. (as per Inv.)	472 40		Net worth.....	2044 40
	Bills Receivable..	336 20		L. M. Hay's Net	
	Bal. of deposit in			worth.....	2069 74
	Merchants' Bank	1460 37		Balance due F. B.	
	Personal accts. re-			Baker.....	50
	ceivable.....	107 50			
	Ship't to Baker				
	(Inv.).....	620			
	Expense (Inv.)....	30			
		<u>4164 14</u>			<u>4164 14</u>
1887			1887		
Losses.			Gains.		
May 31	Int. and Dis*....	2 36	May 31	Merchandise.....	235
	Expense.....	64 50		Ship't to McKay..	50
		<u>66 86</u>			
	Net gain to credit				
	of (Student's				
	name).....	108 40			
	Net gain to credit				
	of Hay.....	109 74			
		<u>285</u>			<u>285</u>

\* This includes the Exchange. The student will open an Exchange Account for the month of June.

## SET XI.—Continued.

June 1, 1887.—L. M. Hay and (Student's name here.) have this day admitted H. P. Carey as a partner, to carry on a Wholesale and Retail Hardware business under the firm name of (Student's surname here.), Hay & Co. H. P. Carey puts into the business, cash, \$2,500. They agree to share gains and losses in proportion to the capital invested.

1. Discounted Barker's acceptance, as per B. B., at 6% per annum. Proceeds received in cash, \$—.
2. Bought of Thos. Campbell, London, an invoice of goods amounting to \$365. Accepted his draft at 30 days for the same. Paid freight, \$14.50; drayage, \$2.
3. Deposited in Bank, cash, \$3,000 Sold Jas. Johnson on account, 1 Parlor Cook Stove, \$14; 1 Kitchen Stove, \$30. Bought of Beaty & Co., Toronto, goods as per invoice, \$720. Remitted a Bank draft for that amount, purchased with check.
4. Received from F. B. Baker, an Acct. Sales of the goods shipped to him on the 25th ult. Net proceeds, \$700. He remitted a draft on the Merchants' Bank (which we immediately deposited) for the sum, less  $\frac{1}{8}\%$ .
6. Received from J. Wilson, cash in full of account, \$—.
7. Sold Neil Cairns for cash, 2 doz. Spades, D. H'dle, at \$1.50 each; 3 doz. Steel Shovels at \$1 each, \$—.
8. Sold W. Mann, 1 Circular Saw, \$90; 4 Rip Saws at \$2; 3 Framing Chisels at \$1. Received in full payment his check on the Molsons Bank, \$—.
9. Hay withdrew from the business, cash, \$69.74. Received from W. Malcolm, cash for his acceptance as per B. B., \$—.
11. Sold D. Marshall, on account, 3 Try Planes at \$1.60; 3 Hand Saws at \$1.50; 10 packages White lead at \$2; 10 gals. Machine Oil at 60c.; 5 gals. Turpentine Varnish at \$1.60. \$—.
13. Prepaid with cash my acceptance favor of Thos. Campbell. Rate 6%. Deposited cash, \$50.
17. Received from W. Mann, cash in full of account, \$—.
18. Bought of Bailey & Son, Toronto, an invoice of goods amounting to \$750, trade discount of 5% being allowed. Remitted a draft for the net cost, for which we issued a check. Paid freight, \$15; drayage, \$3.
20. Received from D. Marshall on account, cash, \$30. Paid for advertising, \$5. Sold Alex. Monroe on account, 1 doz. Mortise Locks, \$2; 20 lbs. Shingle Nails at 4c.; 100 Carriage Bolts at 2c.; 20 lbs. Putty, 4c. \$—.
22. Sold A. M. Mallory, on his acceptance at 60 days, 6 Hand Saws at \$1.60; 10 Steel Squares at \$1.50; 2 doz. Jet Knobs at \$5 per doz.; 2 doz. Oil Cans at \$4.20 per doz.; 15 packages White Lead at \$2. \$—.

24. Received from Alex. Monroe in full of account, 2 cords Wood at \$2.80. Sold S. W. Cooper, 2 Scoop Shovels at \$1.50; 1 set Auger Bits, \$4; 1 Nickle-plated Brace, \$2.50. \$— Received in payment an order on Thos. Murray, for which he immediately paid cash.
25. Discounted Mallory's acceptance as per B. B. Rate, 6%. Proceeds in cash, \$—.
27. (*Student's name here.*) withdrew from the business, cash, \$44.40. Sold H. P. Stanley for cash, 1 set Plated Knives and Forks, \$5.50; 4 Bronzed Metal Knobs at \$1; 4 Mortise Locks at 40c. \$—.
28. Loaned H. C. Corbett on his note at 10 days, \$60. Sold A. K. Simons, 1 Cook Stove, \$40; 40 lengths Pipe at 20c.;  $\frac{1}{2}$  doz. Tea Spoons at \$6 per dozen; 12 Milk Pans at 20c; 5 Milk Pails at 40c. Received cash, \$20.
29. D. Marshall failed and made an assignment, his creditors being paid 60c. on the dollar. Received cash for our share, \$—.
30. The partnership being this day dissolved, it is agreed that the Student will carry on the business in his own name. He assumes all the effects and liabilities of the late firm, and has to pay the retiring partners their respective shares of available funds, the balance to be paid in 3 months.

*Inventory.*

Goods on hand..... \$1,968.85

### REMARKS ON THE BALANCE SHEET.\*

A Balance Sheet, being a summary of the facts contained in a dealer's books, arranged in such a manner as to show at a glance the state of his business, must exhibit the following:—

1. *The Ledger Titles.*

These should be given in full when it is convenient to do so. When there is a considerable number of Personal Accounts they may be divided into "Personal Accounts Receivable," and "Personal Accounts Payable," in order to save space.

2. *The Ledger Folios.*

3. *The Dr. and Cr. footings of each account or group as explained in (1).*

4. *The Inventory.*

5. *The Losses and Gains.*

6. *The Proprietor's (or partners') net Capital.*

7. *The Resources and Liabilities.*

The student will close the Loss and Gain accounts and make out a Balance Sheet of the following form:—

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\*The student must not confound "Balance Sheet" and "Trial Balance." A Trial Balance is used merely to test the correctness of the Ledger.



## BALANCE SHEET—SET XI.

Taken June 30, 1887.

ACCOUNTS.	FACE OF LEDGER.		INV'TY.	LOSSES.		GAINS.		(STUDENT'S NAME.)		L. M. HAY.		H. P. CAREY.		RES'S.	LIAE'S.
	Dr.	Cr.						Dr.	Cr.	Dr.	Cr.	Dr.	Cr.		
(Student's name).....	44 40	2044 30						44 40	2044 40	69 74	2069 74				
L. M. Hay .....	69 74	2069 74										2500		504 14	
H. P. Carey .....		2500												8775 20	
Cash .....	4137 96	2653 82												1968 85	
Merchant's Bank .....	5209 49	1434 29												390	
Merchandise .....	2304 40	414 90	1968 85			79 35									
Bills Receivable .....	469 20	119 20													
Expense .....	47 10			47 10											
Interest and Discount .....	99	1 32			33										
Exchange .....	2 67			2 67											
Shipment to F. B. Baker .....	620	700			80										
F. B. Baker .....		50												44 35	50
Jas. Johnston .....	44														
A. K. Simmons .....	35 40														
Loss and Gain .....	12 32			12 32											
	12997 67	12997 67		159 63		159 68		2030 03							2030 03
Student's Net Worth...															
								3070 43	2070 43	2030 03					2030 03
L. M. Hay's Net Worth...															
								2099 77	2099 77						2030 03
H. P. Carey's Net Worth...															
										2537 53					2537 53
										2537 53				6647 59	6647 59

As the partnership has been dissolved, it is necessary for the book-keeper to close the accounts that shew *losses* or *gains*, and carry each partner's share of the net gain, or net loss, as the case may be, to his account. This being done, a Balance Sheet like that on page 116, will be given to each partner, so that he can make therefrom the proper entries in his own books. Although the form referred to is not so elaborate as might be drawn up, it contains all that is required to give a satisfactory view of the finances of the concern.

The student will, according to agreement, pay each of the retiring partners, his share of the available funds, that is, the cash on hand, and the sum deposited in the Merchants' Bank.

As the student now uses the books formerly kept by the firm, he will regard the partners' accounts as ordinary personal accounts, debiting them whenever payments are made, and crediting the account or accounts representing the value parted with.

At the expiration of the three months, the accounts of the retiring partners will be debited for enough to close them, full payment being then made.

#### JOINT-STOCK COMPANY.

A Joint-Stock Company is a corporation legally authorized to carry on a business or perform a work, such being within the limits prescribed by law. The capital of the company is divided into shares, and the individuals composing it are, therefore, called shareholders. The profits are divided in proportion to the number of shares held. All the business of the corporation is transacted by a Board of Directors, whose qualifications and powers are defined by the Act.

In an ordinary partnership, each member is liable to the full extent of his means for the liabilities of the firm; but in a joint-stock company, each shareholder is liable only for the amount of his unpaid capital. This explains the meaning of the term: "Limited," which is added to the names of companies, as for example, "The Copp, Clark Co. (Limited)."

## CHAPTER VIII.

### SINGLE ENTRY.

When books are kept by Single Entry, only *personal accounts* appear in the Ledger. It is obvious, therefore, that the "book of accounts" will not furnish any information regarding cash, notes, &c., only in so far as the transactions affect accounts kept with other persons.

### THE DAY BOOK.

This book contains entries of all transactions which affect **personal accounts** and no others. When a dealer gives a person value, without receiving equal value *at the time*, he should make the person *Dr.* When a dealer gets value from a person without giving equal value *at the time*, he should make the person *Cr.*

The form shewn on page 124 will be found very convenient: it may also be used to test the correctness of the posting. There are two money columns, the one to the left receiving the debits, and the other the credits, arising out of our dealings with persons on account. As every amount in the *Dr.* column must be placed to the *Dr.* side of the Ledger, and every amount in the *Cr.* column must be placed to the *Cr.* side, the difference between the totals of the Day Book must be equal to the difference between the sides of the Ledger.

If these do not agree the posting has not been done correctly, and the error or errors must be discovered before further progress is made.

### THE CASH BOOK.

This book is fully described on page 57. As there are many cash transactions for which there is no Day Book record (that is, which do not affect personal accounts), it is absolutely necessary to keep a Cash Book. It should be tested at the close of each day's business, and balanced *formally* at least once a week. The difference between its sides should agree with the amount of cash in hand, as found by counting.\*

Sometimes it is necessary to enter a transaction in both the Cash Book and the Day Book. This is the case when cash is received or paid *on account*, as all entries affecting personal accounts must appear in the Day Book, in order that they may find their way into the Ledger.

When cash is received or paid *on a note*, an entry must be made in both the Cash Book and Bill Book.

### THE BILL BOOK.

In this book are entered the particulars of all notes, drafts, &c., belonging to the business. See page 58. By means of the Bill Book the amount of *other's notes on hand*, as well as that of *our notes outstanding*, can easily be determined.

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\*In Set I. the cash deposited in the bank is regarded as cash on hand, and must, therefore, be taken into consideration.

When a note is received or given *on account*, an entry of it must be made in both the Day Book and the Bill Book. Why?

### THE INVENTORY BOOK.

This book is used to record the quantities, prices, &c., of *goods remaining unsold* at the end of a term of business.

At least once a year every prudent business man makes an estimate of the goods on hand and enters the particulars of them in a book for the purpose, called the Inventory Book. Great care should be taken to give the unsold goods the proper value, because if this were not done, the consequence would be the defeat of the ultimate object in view, viz., to know the true state of affairs.

### EXPLANATIONS.

By taking the results obtained from the *Ledger, Cash Book, Bill Book, and Inventory Book*, a full Statement of Resources and Liabilities can be made. If the resources are greater than the liabilities, the difference represents the **Net Worth**. If, on the other hand, the liabilities are greater than the resources, the difference represents the **Net Insolvency**.

No Statement of Losses and Gains can be made, but the *Net Gain* or *Net Loss* may be ascertained, by finding the difference between the capital at *commencing* and the capital at *closing*.

It is evident, therefore, that Double Entry is the more complete of the two systems. While it furnishes information in regard to *resources and liabilities*, it shews in addition to this, how *gains and losses accrue*.

In some kinds of business it may be desirable to keep other books than those mentioned, such as Invoice Book, Sales Book, Check Book, &c.

### SET I.—GROCERY AND PROVISION BUSINESS.

—, June 1, 1887.

(Pupil's name here.) has this day commenced the Grocery business, investing as follows: Cash in safe, \$1,150; cash in the Standard Bank, \$600; Goods in store, \$150. Chas. Wheeler owes on his note dated May 2, 1887, at 30 days, \$64; J. W. Thompson owes on acct., \$50; H. J. Clark owes on acct., \$75.

2. Bought of Jamieson & Co., on my note at 10 days, Goods as per invoice No. 1, amounting to \$200. Cash sales, \$34.50.
3. Sold H. C. Thomas, 100 lbs. Gran. Sugar at 9c.; 20 lbs. Y. H. Tea at 60c.; 30 lbs. Currants at 6c.; 12 lbs. Starch at 8c.; 110 lbs. Oat-meal at 6c.; 30 lbs. Butter at 18c., \$—. Received in part payment, cash, \$10, the balance to remain on account, \$—. Deposited in the Standard Bank, \$1000.\* Paid Cooper & Smith, per check, \$20 for repairs. Cash sales, \$32.30.

---

\*It is not necessary to make any entry of this. The Bank Book will show the amounts deposited and the Check Book the balance to our credit at the bank. See page 135. When a check is issued, the amount will be placed in the Cr. column of the C. B.



4. J. W. Thompson paid on account \$30, with an order on H. J. Clark, which Mr. Clark immediately pays with cash. Sold A. M. Rattenbury on his note at 10 days, 40 lbs. Almonds at 25c. ; 2 lbs. Cloves at 60c. ; 25 lbs. Pulv. Sugar at 12c. ; 10 lbs. Blk. Pepper at 30c. ; 5 bars Soap at 25c. ; 25 lbs. Java Coffee at 40c. ; 40 lbs. Val. Raisins at 14c., \$—. Chas. Wheeler remitted a draft on the Merchants' Bank in payment of his note as per B. B., \$—. Paid cash for Coal Oil for use of store, \$3.50. Bought of C. A. Davis on acct., a Writing Desk for office, \$10. Cash sales, \$20.
6. Deposited in the Standard Bank, cash, \$100. Bought of Taylor & Son, Goods as per invoice No. 2, amounting to \$340. Gave in payment my check. Sold H. C. Thomas on acct., 30 lbs. Black Tea at 60c. ; 120 lbs. Sugar at 10c. ; 10 lbs. Starch at 12½c. ; 4 lbs. Nutmegs at 75c. ; 50 lbs. Rice at 5c. ; 25 lbs. Cheese at 16c., \$—. Cash sales, \$30.
7. Paid cash for Advertising, \$10 ; for Fuel, \$2.50. Deposited in the Standard Bank, \$100. Withdrew from the business, cash, \$29. Cash sales, \$29.60.
8. Bought of Alex. Stewart, Goods as per invoice No. 3, amounting to \$400. Gave in payment my check for \$200, and my note at 20 days for balance, \$—. Cash sales, 21.80.
9. Sold Lachlan MacLean, 60 lbs. Cheese at 15c. ; 45 lbs. Currants at 10c. ; 2 doz. bars Soap at \$1.50 per doz. ; 15 lbs. Japan Tea at 80c. ; 12 lbs. Y. H. Tea at 75c. ; 2 Hams (60 lbs.), at 15c. ; 3 lbs. Cloves at 60c. ; 10 lbs. Pot Barley at 5c. ; 25 lbs. Butter at 16c. ; 30 lbs. Gran. Sugar at 9c. ; 50 lbs. Brown Sugar at 7c. Received in payment his check for \$20 and his note at 2 months for balance, \$—. Cash sales, \$12.50.
10. Paid C. A. Davis on acct., cash \$10. Received from H. C. Thomas on acct., an order on A. S. Murdoch, for \$30. Paid cash for Stationery and Postage, \$1.60. Cash sales, \$21.40.
11. Bought of James Cameron, Goods, as per invoice No. 4, amounting to \$160. Gave in payment my check for \$100, the balance to remain on acct. Sold W. H. Miller on acct., 30 lbs. Butter at 18c. ; 12 lbs. Sugar at 9c., \$—. Cash sales, \$25.
13. Paid James Cameron's order favor of S. D. Hahn, in goods, \$25. W. H. Miller gave on acct. 2 cords Wood at \$1.75, \$—. Cash sales, \$25.50.
14. Deposited in the Standard Bank, \$120. Paid for drayage, cash, \$3.40. Cash sales, \$37.20.
15. Bought of James Cameron, Goods as per invoice No. 5, amounting to \$240. Settled with him in full per check, —. Cash sales, \$29.10.

*Inventory.*

Mdse. unsold .....	\$1,055 56
Office Desk .....	9



## DAY BOOK.—SET I.

—, June 1st, 1887.

Dr. Cr.

(Pupil's name here) has this day commenced the Grocery and Provision business.

(Pupil's name) Cr.....

By the following investment :

Cash in safe,	\$1150
“ in Standard Bank,	600
Mdse. on hand,	150
Chas. Wheeler's note as per B.B.	64
J. W. Thompson on a/c.,	50
H. J. Clark on a/c.,	75

2089

\*J. W. Thompson Dr.....

To Balance from old a/c..... 50

H. J. Clark Dr.....

To Balance from old a/c..... 75

3

H. C. Thomas Dr.....

To 100 lbs. Gran. Sugar @ 9c.,	\$9
“ 20 “ Y. H. Tea @ 60c.,	12
“ 30 “ Currants @ 6c.,	1 80
“ 12 “ Starch @ 8c.,	96
“ 110 “ Oatmeal @ 6c.,	6 60
“ 30 “ Butter @ 18c.,	5 40

35 76

Cr. —

By Cash, in part payment .....

10

4

J. W. Thompson Cr.....

By Cash on a/c..... 30

—

C. A. Davis Cr.....

By Writing Desk for Office..... 10

6

H. C. Thomas Dr.....

To 30 lbs. Blk. Tea at 60c.,	\$18
“ 120 “ Sugar @ 10c.,	12
“ 10 “ Starch @ 12½c.,	1 25
“ 4 “ Nutmegs @ 75c.,	3
“ 50 “ Rice @ 5c.,	2 50
“ 25 “ Cheese @ 16c.,	4 00

40 75

Amounts forward.....

201 51

2139

June 7, 1887.

Dr.

Cr.

Amounts brought forward .....		201 51	2139
(Pupil's name) .....	Dr.....		
To Cash Withdrawn.....		29	
..... 10 .....			
C. A. Davis .....	Dr.....		
To Cash on a/c.....		10	
..... " .....			
A. S. Murdoch .....	Dr.....		
To H. C. Thomas' Order on him .....		30	
..... " .....			
H. C. Thomas .....	Cr.....		
By an order on A. S. Murdoch.....			30
..... 11 .....			
Jas. Cameron .....	Cr.....		
By Mdse. as per Invoice No. 4 .....			160
..... Dr. ....			
To Check, part payment .....		100	
..... " .....			
W. H. Miller .....	Dr.....		
To 30 lbs. Butter @ 18c., .....	5 40		
" 12 " Sugar @ 9c., .....	1 08	6 48	
..... 13 .....			
Jas. Cameron .....	Dr.....		
To payment of his order in mdse.....		25	
..... " .....			
W. H. Miller .....	Cr.....		
By 2 cords Wood @ 1.75 .....			3 50
..... 15 .....			
Jas. Cameron .....	Cr .....		
By Mdse. as per Invoice No. 5 .....			240
..... Dr. ....			
To Cash. Check on a/c.....		275	
		676 99	2572 50

## CASH BOOK—SET I.

1887.		Cash.	Dr.	Cr.
June	1	To amount in Safe.....	1150	
"	"	" " Bank .....	600	
"	2	To Mdse. Sales this day .....	34	50
"	3	" H. C. Thomas, on a/c.....	10	
"	"	By Cooper & Smith, for repairs (check).....		20
"	"	To Mdse. Sales this day .....	32	30
"	4	" J. W. Thompson, on a/c .....	30	
"	"	" Chas. Wheeler's note as per B. B. ....	64	
"	"	By Expense. Coal Oil for store .....		3 50
"	"	To Mdse. Sales this day .....	20	
"	6	By " Bought of Taylor & Son (check) ....		340
"	"	To " Sales this day .....	30	
"	"	By Balance.....		1607 30
			1370 80	1970 80
June	6	To Balance brought down .....	1607 30	
"	7	By Expense. Fuel, \$2.50; Advertising, \$10 ...		12 50
"	"	" (Pupil's name.) Amount withdrawn.....		29
"	"	To Mdse. Sales this day .....	29 60	
"	8	By " Bought of Alex. Stewart (check) ....		200
"	"	To " Sales this day .....	21 80	
"	9	" " Sold L. MacLean .....	20	
"	"	" " Sales this day .....	12 50	
"	10	By C. A. Davis, on a/c.....		10
"	"	" Expense. Postage and Stationery.....		1 60
"	"	To Mdse. Sales this day .....	21 40	
"	"	" " " .....	25	
"	"	By Jas. Cameron on a/c (check) .....		100
"	13	To Mdse. Sales this day .....	25 50	
"	"	By Balance .....		1410
			1763 10	1763 10
June	13	To Balance brought down .....	1410	
"	14	By Expense. Drayage .....		3 40
"	"	To Mdse. Sales this day .....	37 20	
"	15	By Jas. Cameron on a/c (check) .....		275
"	"	To Mdse. Sales this day .....	29 10	
"	"	By Balance .....		1197 90
			1476 30	1476 30

# BILL BOOK—SET I Bills Receivable.

When Received.	Drawer or Acceptor.	Drawee or Indorser.	In Whose Favor.	For What Rec'd.	Date.		Rate %.	Time to Run.	When Due.												Amt.	When and How Disposed of.			
					Month.	Y'r.			Y'r.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.			Dec.		
1	May 2,	C. Wheeler,	Mine.	Mdse.	May 2,	1887		30 ds.	1887						4									64	Pd. June 4, '87
2	June 4,	A. M. Rattenbury	"	"	June 4,	1887		10 ds.	1887						17									34	
3	" 9,	L. MacLean.	"	"	" 9,	1887		2 mos.	1887							12								29	

## Bills Payable.

No.	When Given.	Drawer or Acceptor.	Drawee or Indorser.	In Whose Favor.	For What Given.	Date.		Time to Run.	Rate %.	When Due.												Amt.	When and How Disposed of.		
						Month.	Y'r.			Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.				
1	June 2, '87	Myself.		Jamieson & Co.	Mdse.	June 2,	1887	10 ds.									15							200	
2	" 8, '87	"		A. Stewart.	"	" 2,	1887	20 ds.																200	

## INDEX TO LEDGER.\*

A		K	
B		L	
C		M	
<i>Clark, H. J.</i>	129	<i>Murdoch, A. S.</i>	130
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		<i>Thompson, J. W.</i>	129
		<i>Thomas, H. C.</i>	129
J		U, V, W	

\* See page 30.



## LEDGER—SET I.

Dr.

(Pupil's name.)

Cr.

1887				1887			
June	7	To Cash.....	29	June	1	By Sundries ....	2089
"	15	" Balance*....	2100	"	15	" Gain* .....	40
			2129				2129

*H. J. Clark.*

1887				1887			
June	1	To Balance.....	75	June	15	By Balance*....	75
			75				75

*J. W. Thompson.*

1887				1887			
June	1	To (Pupil).....	50	June	3	By Cash.....	30
			50	"	15	" Balance*....	20
			50				50

*H. C. Thomas.*

1887				1887			
June	3	To Mdse .....	35 76	June	3	By Cash.....	10
"	6	" " .....	40 75	"	10	" A.S. Murdoch	30
			76 51	"	15	" Balance*....	36 51
			76 51				76 51

*C. A. Davis.*

1887				1887			
June	10	To Cash.....	10	June	4	By Expense.....	10
			10				10

\* Red ink.

*Dr.**A. S. Murdoch.**Cr.*

1887				1887			
June	10	To H. C. Thomas	30	June	15	By Balance* . . .	30
			30				30

*Jas. Cameron.*

1887				1887			
June	11	To Cash . . . . .	100	June	11	By Mdse. . . . .	160
"	13	" " . . . . .	25	"	15	" " . . . . .	240
"	15	" " . . . . .	275				
			400				400

*W. H. Miller.*

1887				1887			
June	11	To Mdse . . . . .	6 48	June	13	By Expense . . . .	3 50
					15	" Balance* . . . .	2 98
			6 48				6 48

*Ledger Balances.*

PERSONAL DEBTORS.				PERSONAL CREDITORS.			
H. J. Clark . . . . .	75			Pupil's Balance . . . . .	2060		
J. W. Thompson . . . . .	20						
H. C. Thomas . . . . .	36	51					
A. S. Murdoch . . . . .	30						
W. H. Miller . . . . .	2	98					
Total Debits . . . . .	164	49					
Excess of Credits from Day Book . . . . .	1895	51					
Proof of Posting . . . .	2060			Total Credits . . . . .	2060		

\* Red ink.

*Resources and Liabilities.*

RESOURCES.			LIABILITIES.		
<i>Accts. Receivable</i> .....	164	49	<i>Bills Payable</i> .....	400	
<i>Bills Receivable</i> .....	73	05	<i>Pupil's Net Capital</i> .....	2100	
<i>Mdse. (Bal. Inv'y)</i> .....	1055	56			
<i>Cash</i> .....	1197	90			
<i>Office Desk</i> .....	9				
	2500	00		2500	

*Statement of Loss and Gain.*

<i>Pupil's Net Capital</i> .....	2100	
“ “ <i>Investment</i> .....	2060	
<i>Pupil's Net Gain</i> .....	40	

In writing up the second part of Set I., the pupil will adopt the method exemplified. He will make out the proper statements at the close. The accounts in the Ledger must be indexed.

## SET I.—Continued.

- June 17, 1887,—Sold J. W. Thompson on account, 20 lbs. Black Tea at 60c. ; 55 lbs. Ham at 15c. ; 100 lbs. Oatmeal at 6c. ; 5 lbs. Starch at 10c. ;  $\frac{1}{2}$  lb. Nutmegs at 70c. ; 20 lbs. Cheese at 15c. ; 15 lbs. Raisins at 10c. \$—. Paid for advertising, \$3.70. Cash sales, \$29.60.
18. Deposited in the Standard Bank, \$120. H. J. Clark paid on account, cash, \$20. Sold Robert Cummings on his note at 10 days, 5 lbs. Tobacco at 60c. ; 25 lbs. Tea at 50c. ; 100 lbs. Granulated Sugar at 10c. ; 50 lbs. Brown Sugar at 8c. ; 3 lbs. Raisins at 10c. \$—. Cash sales, \$25.70.
20. A. S. Murdoch paid his order received on the 10th inst. with cash, \$30. W. H. Miller paid the balance of his account with wood at \$1.75 per cord. \$—. Cash sales, \$19.80.
21. Bought of Mason & Co. goods, as per Invoice No. 6, amounting to \$130. Gave in part payment my note at 2 months for \$50. Paid per check my note favor of Jamieson & Co., and interest for the time overdue at 8%. Face of note, \$200. Interest, 26c. Cash sales, \$30.25.
22. Deposited in the bank, \$50. Received cash in full payment of A.M. Rattenbury's note as per B. B. Cash sales, \$21.90.
23. Paid for a safe for office per check, \$120. Paid Mason & Co.'s order for \$50 in goods. Cash sales, \$25.70.

24. Sold A. C. Morrison on account, 3 lbs. Tea at 50c. ; 24 packages Salmon at 15c. ; 30 lbs. Granulated Sugar at 10c. \$— Cash sales, \$22.80.
25. Received from H. C. Thomas on account, his check for \$20. Deposited in bank, \$50. Paid James C. Andrews for repairs, cash, \$3.50. Cash sales, \$41.75.
27. Sold A. H. Hardman, 40 lbs. Tea at 50c. ; 90 lbs. Brown Sugar at 7c. ; 12½ lbs. Ginger at 40c. ; 60 lbs. Ham at 14c. ; 40 lbs. Breakfast Bacon at 13c. ; 30 packages Canned Salmon at 15c. ; 25 packages Canned Mackerel at 13c. ; 100 lbs. Oatmeal at 5c. ; 12 jars Canned Fruit at 20cts ; 20 bars Soap at 10c. ; 2 boxes Matches at 25c. \$—. Received in part payment his check for \$50.
28. Received from H. J. Clark an order on S. W. Hall for \$40, which Mr. Hall immediately paid with cash. A. C. Morrison paid on acct., cash \$5. Cash sales, \$30.35.
29. Deposited in bank, \$100. J. W. Thompson gave me his note at 30 days to close his account, \$—. Cash sales, \$28.70.
30. Paid clerk's hire, \$20 ; freight, \$16.40, and drayage, \$10 per check. Cash sales, \$36.90.

*Inventories June 30.*

Goods unsold, valued at.....	\$712
Safe.....	120
Office Furniture.....	9

Result.—Net Capital, \$2,065.10 ; Net Loss, \$34.90.

**EXERCISE I.**

March 1, 1887.—Invested in business, cash \$200.

2. Bought of J. McHardy for cash, goods invoiced at \$120.
  3. Sold Thos. Smith on account, 5 bbls. Flour at \$5.
  4. Paid cash for advertising, \$1.40.
  5. Sold A. Brownlee for cash, 40 bush. Wheat at 80c.
  7. Sold Thos. Smith on account, 20 bush. Barley at 45c.
  8. Bought of A. Hilker on account, 10 bbls. Flour at \$4.50.
  9. Thos Smith paid on account, cash \$10.
  10. Gave A. Hilker on account, cash \$20, and my note at 10 days for balance, \$—.
  11. Paid clerk's salary with cash, \$10.
- Goods on hand valued at \$112.60.

- (a) Transfer to the proper books as in Set I.
- (b) Prove the correctness of the Posting.
- (c) Make out a Statement of Resources and Liabilities.

**EXERCISE II.**

April 1, 1887.—Commenced business with cash on hand, \$200 ; mdse. in store, \$300 ; Wm. Jones' note drawn Feb. 1, at 60 days, for \$50. I owe John Barkwell on account, \$30.

2. Sold Wm. Young for cash, 10 lbs. Tea at 70c. ; 30 lbs. Gran. Sugar at 9c. Deposited in the Merchants' Bank, \$150. Paid cash for Repairs, \$4.50 ; Fuel, \$3.
  4. Sold H. Corbett on his note at 10 days, 40 lbs. Raisins at 10c. ; 30 lbs. Tea at 60c. ; 20 lbs. Rice at 4c.
  5. Gave John Barkwell on account, my check for \$20. Received from Wm. Jones, his check in full payment of his note due this day.
  6. Sold my entire stock of goods to A. Burchill for \$290. Received in payment, cash \$100, Monroe's check for \$50, and Burchill's note at 3 mos. for the balance. \$—. Paid clerk's salary with my check, \$10.
- (a) Make the proper entries of the transactions.
  - (b) Prove the correctness of Posting.
  - (c) Make out a Statement of Resources and Liabilities and close the accounts.
  - (d) Find the loss or gain.
  - (e) Shew the imperfections of Single Entry Book-keeping, by referring to the work of this exercise.

## EXERCISE III.

April 11, 1887,—Commenced business with a cash capital of \$1,000. Deposited in bank, \$600.

12. Bought of S. W. Taylor for cash, goods, as per Invoice, \$300 Paid cash for Fuel, \$5 ; for Coal Oil, \$1.30.
  13. Sold S. H. Mann on account, 12 lbs. Tea at 50c. ; 13 lbs. Raisins at 11c. ; 2 lbs. Ginger at 40c. ; 2 gallons Vinegar at 40c. \$—.
  14. Sold Thos. Murray, 50 lbs. Tea at 45c. Received in payment, cash, \$10, and his note at 15 days for the balance. \$—.
  15. S. H. Mann paid on account, cash, \$5. Gave C. D. Spooner my note at 5 days for repairing store, \$20.
  16. Lost a \$5 bill.
  19. Sold S. H. Mann on account, 3 bars Soap at 10c. ; 14 gallons Maple Syrup at \$1.20 ; 40 bushels Potatoes at 40c. \$—.
  22. Paid boy's wages with my check, \$5.50.
  23. Paid my note in favor of C. D. Spooner with cash, \$—.
- Goods on hand valued at \$267.17.

- (a) Enter the transactions into the proper books.
- (b) Make out a statement and close.
- (c) Write the note received from Thos. Murray, and the one given to C. D. Spooner.
- (d) How does a dealer find the value of the goods on hand? How often is this usually done in actual business?
- (e) What is meant by balancing the Cash Book?
- (f) Why cannot the gain or loss on merchandise be found by Single Entry? Explain fully.



## SET II.—SINGLE ENTRY.

*Books used.*—*Day Book, Cash Book, Bill Book, and Ledger.*

## RECORD OF TRANSACTIONS—SET II.

———, *March 1, 1887.*

- Commenced business with the following resources: Cash on hand, \$1,000; mdse. in store, \$800; N. Clarke's note of \$600 at 4 mos., dated Jan. 10, 1887. Geo. Leeds owes me on account, \$80. (The pupil must give himself credit in the Day Book for the amount he invests. An entry will be made in the Cash Book and also in the Bill Book.)
3. Sold L. S. Keith, on account, 100 yds. Flannel at 50c.; 24 Silk Neckties at 60c.; 7 yds. Tweed at \$1.20.
  5. Bought of M. Mathers on account, an invoice of goods amounting to \$130. (Why is it not necessary to give the items here?)
  7. Sold Geo. Leeds, 40 yds. Silk at \$1.10; 30 yds. Cotton at 10c. Received in part payment, cash, \$20. (Enter in the D. B. and C. B.)
  8. Paid cash for Repairs, \$5; Coal Oil, \$1. (Enter in the C. B. Why not in the D. B.?)
  10. Deposited in the Molsons Bank, cash, \$800. (If a Bank Account is kept, what entry? Shew why an account with a bank may be regarded as a personal account.)
  12. Sold R. Cameron on his note at 10 days, 14 yds. Broadcloth at \$1.75; 8 yds. Farmer's Satin at 55c.; 2 doz. Collars at \$2.50. (Enter in the B. B. Why not in the D. B. or C. B.?)
  14. Paid for Advertising, with cash, \$2.50.
  15. Received from Geo. Leeds on account, cash \$50.
  17. Bought of C. Turnbull on my note at 30 days, an Invoice of goods amounting to \$125.50.
  19. Received from L. S. Keith, his check in full of account, \$—. Deposited in the Molsons Bank, \$180.
  21. Sold D. M. Malloch 24 yds. Scotch Tweed at \$1.40; 65 yds. Sheeting at 14c.; 30 yds. Red Flannel at 35c.; 12 yds. Irish Linen at 40c. Received in part payment his note at 30 days for \$20. (Enter in the D. B. and B. B. Why?)
  24. Paid cash for Wood, \$3.60; Express charges, \$1.25.
  26. Received from Geo. Leeds an order for \$40 on S. W. Dawson, which by his request is passed to his account. (Geo. Leeds gives us value; therefore he must be credited. S. W. Dawson assumes a debt; therefore he must be debited.)
  30. Paid clerk's salary with my check on the Molsons Bank, \$25. Goods on hand valued at \$893.80.
- Result.—Net worth at closing, \$2,491.65; Net Gain, \$11.65.

## TO CHANGE FROM SINGLE TO DOUBLE ENTRY.

In order to understand clearly how to change from Single to Double Entry, and *vice versa*, the pupil must fully comprehend the real difference between the two systems, viz., that only *personal* accounts are kept in a Single Entry Ledger, while accounts with *persons* and *things* are kept in a Double Entry Ledger. By the one system we regard persons as our debtors and creditors; by the other persons and things. The pupil will then see that in order to change from Single to Double Entry it is necessary to open a new account for every *resource* and *liability*, excepting those connected with personal accounts, these being already represented. The *balances* will be entered into the new accounts, and the *net gain* transferred to the proprietor's account, after which, if the work is correct, the Ledger will be in equilibrium.

It is customary to close the Ledger, but is not really important to do so, as the balances can all be found without closing the books. Of course they will be closed, if a new set of books is to be used after the change.

The pupil will now take all the balances from the statements on pages 130 and 131, and work the second part of Set I. by Double Entry. As he has already done it by Single Entry, he will thus see clearly the difference between the two systems.

The new accounts to be opened in this particular case are *Cash*, *Mdse.*, *Bills Receivable*, *Bills Payable*, and *Expense*.

In Set I. the cash deposited in the bank is regarded as cash on hand. As all deposits are placed by the bank officials to the credit of the depositor in the Bank Pass Book, and as the counterfoil of the last check issued shews the balance deposited, it is unnecessary labor to keep a bank account in the Ledger.

Some book-keepers make use of a Cash Book having on the Cr. side a column for *deposits*, and on the Dr. side one for the amounts of checks issued. The difference between these will of course, shew the balance to the credit of the dealer at the bank, provided the checks have all been presented and honored.

## TO CHANGE FROM DOUBLE TO SINGLE ENTRY.

To change a set of books from Double to Single Entry, complete the posting and close all the accounts, excepting those kept with *persons*. If the books are closed at the time of making the change, re-open only the personal accounts. The balance of cash on hand will be carried to the Cash Book, and that of others' notes on hand, as well as of our notes outstanding, will be entered into the Bill Book.

## CHAPTER IX.

### BANKING.

When a person wishes to open an account with a bank, he must furnish satisfactory evidence of his honesty and trustiness in regard to business transactions. This being done, he will be required to sign his name in the proper book. The object of doing so is to enable the bank officials to test any doubtful signatures that may be attached to checks or other paper presented for payment.

*Deposit Slips.*—These, as well as all other necessary blanks, are furnished by the bank. The person making a deposit will fill the slip as indicated by its form, and hand it along with the money or other value deposited to the Teller. If found correct it will be initialed and passed to the Ledger-keeper, who will place the amount appearing on it to the credit of the depositor.

*Bank Pass Book.*—When a deposit is made the amount of it is entered into this book. At the end of every month the Pass Book should be handed over to the bank to be balanced. No entry is made in it by anyone but the proper bank official, as it is the depositor's voucher for all values given to the bank.

When a person does not wish to open an account with a bank, but deposits a sum merely for safe-keeping, he may draw a check for the amount, payable to himself, and get the banker to mark it "good." The bank is responsible for the payment of an accepted check on it. If the money is to be deposited for a considerable length of time, a certificate of deposit should be taken for it.

*Check Book.*—This book contains forms of checks to be filled out as they are needed. The particulars should be entered on the stub before the check itself is written. Care must be taken to enter the amounts so that no changes can be made in them. The balance deposited should always appear on the stub, as this will save trouble when making out checks. When the one who issues a check wishes it to be evidence of payment made to the person in whose favor it is drawn, it should be made payable to the *order* of such person, as he will have to indorse\* the check before the bank will cash it.

If a check, on being presented within a reasonable time, is dishonored by the bank, it should be returned to the drawer, as no payment is made owing to it.

If a check is not presented for payment within a reasonable time after being received, and if it is rendered valueless on account of such neglect, the holder must bear the loss.

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\*The indorsement should be on the back—written *crosswise*. The *left-hand* side of the face is generally regarded as the *top* of the back.

In making payments with checks, it is often well to get them certified.

If payment to a person at a distance is made by check, it must be drawn so as to cover the debt and a commission of  $\frac{1}{4}\%$  (banks usually charge  $\frac{1}{4}\%$  for cashing checks issued by other banks). Bank drafts are largely used for making remittances. A draft for \$200 or less, generally costs 25c. and one for a sum greater than \$200,  $\frac{1}{8}\%$  of its face value. If there is not a branch of the bank which issued the draft in the place where it is to be presented for payment, an allowance should be made for the commission, which will be charged by the bank cashing it.

A note discounted at a bank and returned, on account of non-payment, to the one who discounted it, should be paid at once by him,

When a person hands notes over to a bank for collection, and does not wish them to be protested in case they are not paid at maturity, he should pin to each a slip of paper bearing the following, "No Protest. Take this off before presenting." By doing this the owner may get the notes back without paying protest charges.

### PRIVATE LEDGER.

The use that is made of this book is so easily understood, that it was not considered necessary to give an example of it in the former part of this work. It is simply a part of what commonly constitutes the General Ledger, and usually contains the Stock account, the Loss and Gain account, and the Merchandise account. It is employed by business men in order to avoid the inconvenience of needlessly exposing their affairs. No more work is entailed, as the accounts kept therein, although in a separate book, are treated in exactly the same way as if they were kept in the General Ledger.

### PETTY CASH BOOK.

Into this book are entered small sums of cash received or paid out. At close of each day it is balanced, and the amount representing the difference between the sides is transferred to the main Cash Book. The chief object in keeping this book is to save space in the Cash Book.

### PETTY LEDGER.

When persons, who are not likely to do much business, purchase on credit, it is found convenient to open accounts with them in this book. Care must be taken not to open two accounts—one in the Petty Ledger and one in the main Ledger—with any person, as such is likely to cause confusion. To avoid this, the indexing must be properly attended to.

### SUNDRY DEBTORS ACCOUNT.

This is an account kept by some in which to enter transactions with persons who are likely to purchase but little. The object is to save space in the Ledger. If such persons buy on credit oftener than once, an account



should be opened with them in the regular way, and their account in the Sundry Debtors Account should be closed into the new one. If this were always adhered to, much trouble might be avoided.

### HOW TO DEAL WITH BAD DEBTS.

There are various ways of dealing with bad debts. Some carry them into what is called the "Suspended List," leaving the accounts open.\* The method that seems most satisfactory is to open a Bad Debts Account and charge it with all amounts which cannot be collected. Close this account into Loss and Gain. The advantage of this method is that the sum written off each time the books are closed is shewn clearly. When any of these amounts are collected, it will be necessary to hold whatever is received Dr. and make Loss and Gain Cr. If, however, any of these amounts are received while the Bad Debts account is *open*, credit must be given to *it* instead of to Loss and Gain. Any amounts collected and credited to Loss and Gain may be entered with red ink in small figures opposite the sum expressing the whole amount of bad debts when the account was closed. By doing this the actual amount lost in this way for any particular year can be seen at a glance, and the confusion of mixing the bad debts of one year with those of another is completely avoided.

### CROSS ENTRIES.

Cross entries are made in order to correct errors. To shew the use of such entries, it may be best to consider a few examples.

Suppose that you gave L. Mason your check for \$100 on account and that you made the entry: †

<i>L. Mason</i>	<i>Dr.</i> .....	\$100
	<i>To Cash</i> .....	\$100

This would be corrected by the cross entry:

<i>Cash</i>	<i>Dr.</i> .....	\$100
	<i>To Bank</i> .....	\$100

It is easily seen that this produces the same final result as the proper entry, viz.:

<i>L. Mason</i>	<i>Dr.</i> .....	\$100
	<i>To Bank</i> .....	\$100

Cash was incorrectly credited, therefore it must be debited.

(2) Suppose L. M. Hespeler paid on account his sight draft on J. Smith for \$50, which Smith honors by giving his check, and that you made the entry:

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\* In order to avoid embarrassment, if a person, whose account is not considered good, should wish to see it in the Ledger, the closing entry may be "By Balance," with a private mark attached, to indicate that the amount is transferred to the Bad Debts account, and not considered a resource.

† It is presumed here that a bank account is kept in the Ledger.



<i>Cash</i>	<i>Dr.</i> .....	\$50
	<i>To J. Smith</i> .....	\$50

You would correct thus :

<i>J. Smith</i>	<i>Dr.</i> .....	\$50
	<i>To L. M. Hespeler</i> ..	\$50

To correct an error it is sometimes necessary to make several entries of this kind, but in all cases the following rule will prove applicable :

Debit any account or accounts that have been *wrongly credited*, or that ought to have been *debited*, and credit any account or accounts that have been *wrongly debited*, or that ought to have been *credited*.

### TRANSFERRING ACCOUNTS FROM AN OLD LEDGER TO A NEW ONE.

When a Ledger becomes filled, and when, in consequence, it becomes necessary to transfer the accounts therefrom to a new one, the following course may be adopted :—

1. Mark the old one "Ledger A" and the new one "Ledger B."
2. Close the first account in Ledger A, "To" or "By Balance to Ledger B," making the entry in red ink.

Open a new account in Ledger B, having the same heading as the one just closed, and make the entry "By" or "To Balance from Ledger A," in black ink.

[The closing entry in the old Ledger will, of course, be made on the smaller side of the account, and the entry in the new Ledger on the other.]

4. Index the account as soon as opened, and indicate in each Ledger the page of the other on which it appears.
5. Treat all the accounts in a similar manner.

Before proceeding to close the accounts, the equilibrium of the old Ledger must be tested. The new Ledger will be in balance when all the transfer entries are made in it.

### MANUFACTURING.

When a person manufactures all the goods which he handles, he should charge Merchandise account with the total cost of them, and credit it for the proceeds of sales. If it is desirable to keep a Material account, Labor account, &c., these will be closed into the Merchandise Account before balancing the books.

In many businesses, only a part of the goods is of home manufacture. In such a case, if the dealer wishes to know his gain or loss in the articles that he manufactures, he will open in addition to the Merchandise account\* one having the heading "Manufacturing," and conduct it as already indicated.

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\* Here the Merchandise account represents only the goods purchased.

## PLANT ACCOUNT.

The term "Plant" in mercantile phraseology represents all implements, machinery, &c., which are used in producing the article or articles manufactured. The Plant account is held Dr. for the first cost of the plant, and Loss and Gain is held Dr. for subsequent amounts written off owing to depreciation in value.

## MARKING GOODS.

When goods are received, the invoice should be checked and "marked."

A slip shewing the following should be attached to each package, &c.

- (a) The initials of the name of the person or firm from whom purchased.
- (b) The date of the invoice.
- (c) The quantity.
- (d) The cost in private characters.
- (e) The selling price in plain figures or private characters.

Any combination of ten or eleven different letters as, "Republican," "Importance," &c., will be found suitable for private marking. Suppose the word "*Nourishable*" is selected, the first ten letters taken in order representing the numerals 1, 2, 3, 4, 5, 6, 7, 8, 9, 0, respectively. The last letter may be used as a repeater. For example, an article costing \$1.44, would be marked *n r e*, and one costing \$6.90, *s b l*. The pupil will understand this better by writing the word (or phrase) and the corresponding figures thus:

n o u r i s h a b l e  
1 2 3 4 5 6 7 8 9 0 repeater.

Marks which are purely arbitrary are often employed. Special characters should be chosen to denote fractions, such as  $\frac{1}{2}$ ,  $\frac{1}{3}$ ,  $\frac{1}{4}$ , &c.

By referring to the slip marked as described above, it will be seen at once for what time any article has been in stock—a very important matter.

## BOOKS AS EVIDENCE IN COURT.

When a debtor disputes the claim made by a creditor, for which there is no other evidence than the entries in the books of the latter, the following must be proved before payment can be enforced:

- (a) By *whom* the entries were made.
- (b) That the books produced are kept by *him*.
- (c) That he is a *trustworthy* accountant.
- (d) That *some* of the articles charged were delivered.

[NOTE.—Books of *original entry*, and *no others*, are admitted as evidence in courts of law].

## BRANCH HOUSES.

When goods are bought for a branch house, it should be debited for their cost, and credit should be given to the persons from whom the goods were purchased, or to whatever represents the value paid for them. The invoices of such goods should be marked with red ink, so that they will not be charged to the Merchandise account like the others.

When a branch house gets goods from the store, it should be debited for the cost of them, and the Merchandise account credited. When it returns goods, it should be credited and Merchandise debited.

If at the end of a term of business a branch house reports a net gain, it will be debited for the amount and Loss and Gain credited; but if it reports a net loss, it will be credited and Loss and Gain debited.

A branch house should open an account with the principal house, giving it credit for all values received from it at the time of commencing, as well as for values subsequently received, and debiting it for all amounts remitted. At the close of a term of business, this account should be debited for the net Loss or credited for the net Gain, as the case may be.

As branch houses do not, generally speaking, pay for their own goods, but hand over their bills for settlement to the principal house, they must credit it for purchases instead of the parties from whom the goods were bought.

## PARTIAL PAYMENTS.\*

By **Partial Payments** we mean the payment of a debt by *portions* at different times.

In the case of a note, or other written obligation, the amount and date of each payment is usually written on the back of it. Such acknowledgments appearing on notes, &c., are termed *indorsements*.

Receipts are sometimes given when such payments are made.

The following method is the one adopted by business men for computing interest when a debt is paid by parts. (This method should be adhered to as it is recognized by the courts of law.)

(a) *Reckon the interest on the principal from the commencement to the time of the first payment.*

(b) *If the payment is greater than the interest accrued, deduct the sum plus from the principal, and regard the remainder as the new principal, proceeding as before.*

(c) † *If the payment is less than the interest due, the interest will be reckoned on the principal as if no payment had been made, until such time*

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\* As this subject and the one following it are dealt with in the text-books on Arithmetic, it is deemed unnecessary to discuss them fully here. The student will work out carefully the exercises on them in the books referred to.

† If the student will look into the matter he will see that it would be very unfair to increase the principal, as the debtor would be paying more interest than if he retained the amount paid in his own possession.

as the payments taken together are equal to, or greater than, the accrued interest. The surplus will then be deducted from the principal and the remainder regarded as the new principal.

By examining carefully the foregoing, the student can deduce:

(1) That payment must first be applied to the discharge of the interest.

(2) That a new principal cannot exceed a previous one.

(3) That a debtor who pays an amount less than the interest due, gets nothing for the use of his money until the sum of the payments is sufficiently large to cover the interest and give a surplus to be applied to the payment of the debt itself.

### EXAMPLE.

PORT ELGIN, July 4, 1887.

\$500.

Fifteen months after date, I promise to pay W. P. Spalding, or order, Five Hundred Dollars, for value received, with interest at 6%.

WM. SWEETMAN.

On this note are the following indorsements:

Received Sept. 15, 1887, \$50.

Received Apr. 21, 1888, \$100.

Received Feb. 10, 1888, \$10.

Received July 3, 1888, \$70.

How much will pay the note on the 30th Oct., 1888.

### SOLUTION.

1st Principal .....	\$500
Int. on \$500 from July 4, 1887, to Sept. 15, 1887 .....	6
Amount .....	506
1st Payment .....	50
2nd Principal .....	456
Int. on \$456 from Sept. 15, 1887, to Feb. 10, 1888, \$11.00, which exceeds the payment.	
Int. on \$456 from Sept. 15, 1887, to Apr. 21, 1888 .....	16 42
Amount .....	472 42
2nd and 3rd Payments .....	110
3rd Principal .....	362 42
Int. on \$362.42 from Apr. 21, 1888, to July 3, 1888 .....	4 35
Amount .....	366 77
4th Payment .....	70
4th Principal .....	296 77
Int. on \$296.77 from July 3, 1888, to Oct. 30, 1888 .....	5 81
Amount .....	302 58

Therefore, \$302.58 is the sum that will discharge the debt on the 30th Oct., 1888.



## AVERAGING ACCOUNTS.

To average an account is to find the time at which several debts due at different dates may be paid in one amount without loss of interest to either debtor or creditor.

The time found by averaging is termed the **Equated Time**.

There are several methods of finding the equated time in use; but they are all based upon the assumption that the interest of the sum paid *before it becomes due* is equivalent to the interest of an equal sum withheld for the same length of time *after it becomes due*.

The student who has a knowledge of the principles underlying the methods of computing the true present worth of a sum due at some future date will readily see that the foregoing assumption is not mathematically correct; in actual business, however, it is found very convenient to adopt it as a basis, the resulting error being so small as to offer no serious objection.

## SIMPLE AVERAGE.

**Simple Average** in the process of finding the equated time when an account consists of only debits or credits.

The following method of averaging an account is the one commonly used:—

(a) *Select as the fixed date the earliest on which an amount falls due.*

[Any date may be taken to count from, but the earliest or latest is chosen for the sake of convenience.]

(b) *Find the time between the fixed date and that upon which each amount is payable, and multiply it by the number expressing such time.*

(c) *Divide the sum of the products by the total amount of the debt and the quotient will give the number of days between the fixed date and equated time.*

## EXAMPLE.

ROBERT CURRY, Esq,

To JAMES SHIELDS, Dr.

1887.					
Jan.	17	To Mdse .....	100		
"	31	" " .....	50		
Feb.	22	" " .....	150		
Mar.	18	" " .....	260		

Find the equated time.



## OPERATION.

Take Jan. 17 as the first date.

From Jan. 17 to Jan. 31, there are 14 days.

“ “ “ to Feb. 22, “ “ 36 “  
 “ “ “ to Mar. 18, “ “ 60 “

$$\begin{array}{rcl} 100 \times 0 & = & \\ 50 \times 14 & = & 700 \\ 150 \times 36 & = & 5400 \\ 260 \times 60 & = & 15600 \end{array}$$

$$\begin{array}{rcl} 560 & ) & 21700 \text{ ( } 38\frac{3}{4} * \end{array}$$

Therefore the whole amount may be paid 39 days from Jan. 17; that is, on the 25th Feb.

## COMPOUND AVERAGE.

**Compound average** is the process of finding the time when the balance of an account consisting of debits and credits should be paid. Various methods of finding the equated time for the payment of the balance of an account are employed. The following one is simple and practical:—

(a) Find the EQUATED TIME for EACH SIDE of the account separately.

(b) Multiply the amount due on that side of the account which falls due FIRST, by the number of days between the dates of the equated time, and divide the product by the balance of the account; the quotient will give the number of days between the LATER DATE and the equated time required.

(c) If the smaller side falls due FIRST, count FORWARD from the LATER DATE; if the large side falls due FIRST, count BACKWARD.

## EXAMPLE.

Dr.

Robert Fullerton.

Cr.

1887					1887				
Jan.	3	To Mdse .....	100		Feb.	17	By Cash .....	60	
Feb.	28	“ “ .....	50		Mar.	15	“ “ .....	70	

## OPERATION.

$$\begin{array}{rcl} 100 \times 0 & & \\ 50 \times 56 & = & 2800 \end{array}$$

$$\begin{array}{rcl} 150 & ) & 2800 \text{ ( } 19 \end{array}$$

19 ds. from Jan. 3 gives Jan. 22 as the equated time for the Dr. side.

$$\begin{array}{rcl} 60 \times 00 & & \\ 70 \times 26 & = & 1820 \end{array}$$

$$\begin{array}{rcl} 130 & ) & 1820 \text{ ( } 14 \end{array}$$

14 ds. from Feb. 17 gives Mar. 3 as the equated time for the Cr. side.

\* In such a case, if the fraction is less than  $\frac{1}{2}$  it is not counted; if greater, it is taken as unity.

$$\begin{array}{rcl}
 150 \times 40 & = & 6000 \\
 \text{Balance} & = & 20 \\
 \text{and } \frac{8000}{20} & = & 300
 \end{array}$$

Therefore the equated time is found by counting 300 days *backward* from Mar. 3, as the larger side falls due first. Equated time, May 7, 1886.

## CHAPTER X.

### CORRESPONDENCE.

Now-a-days in almost any position in life it is considered a very desirable accomplishment to be able to communicate thought to others in clear, forcible, and elegant language. For the person leading a commercial life, it is certainly a most important qualification to possess the ability to write a good business letter. No doubt it takes considerable time and study to acquire proficiency in letter-writing; indeed, nothing short of a good general education will enable one under all circumstances to give expression to his ideas in the most suitable terms. Although this is the case, it is not to be inferred that a person who has had but a limited training cannot become fairly good at correspondence; in fact, he may excel in certain departments of it by giving these special attention.

A **Letter** is a written communication addressed by the person signing it to some other person. It should consist of the following parts:—1, Date; 2, Address; 3, Salutation; 4, Body; 5, Subscription; 6, Superscription.

The **Date** indicates the place and time of writing. It should appear on the right-hand side, and at least one inch from the top of the page. In the case of a note of invitation it is customary to place the date at the bottom and to the left.

The **Address** is the name of the person (or firm) to whom the communication is sent together with that of his residence or place of business. In letters of friendship the address is sometimes placed at the bottom and to the left, but in business letters it is usually placed a little below the date and to the left, beginning at the margin.

The **Salutation** consists of the introductory words of courtesy which precede the body of the letter, and which are placed to the left usually beginning at the margin.

The **Body** of a letter consists of the sentences or paragraphs which express what the writer wishes to communicate. It generally begins on the line below the salutation, and some distance from the margin. There should be a paragraph for every subject introduced, the first line of which should begin from half an inch to an inch to the right of the margin.

The **Subscription** consists of the complimentary words placed at the bottom of a letter, and the signature of the writer, all of which should be towards the right.

The **Superscription** is the full address of the person to whom the communication is sent, written on the envelope. See below.

Letters are so varied in their character that it is impossible to lay down rules applicable in all cases. The following, however, may prove helpful:

- (a) Write *neatly and plainly*.
- (b) Be careful in regard to *spelling, punctuation*, and the *arrangement* of the different parts.
- (c) Use as *few words* as possible (especially in a business letter) to make clear the meaning.
- (d) Avoid *slang phrases* and *ungrammatical expressions*.
- (e) *Read* the letter and, if necessary, *take a copy* of it before enclosing it in the envelope.
- (f) See that the envelope is *properly directed* and *stamped*. (See diagram below.)
- (g) Avoid *postscripts* as far as possible.
- (h) *Reply promptly* to a communication.
- (i) Never seal a *letter of introduction*.
- (j) Letters containing important information given *confidentially* should be marked "*Private*," on both the upper left hand corner of the envelope, and of the first page of the letter.
- (k) In replying to an advertisement, mention the name and the number of the paper in which it appeared.

In the exercises of this chapter the pupil will, as far as he can, avoid using the same language as that found in the forms given, so that each communication he writes may afford some practise in composition.

*Diagram Shewing Superscription.*

<p style="font-family: cursive; font-size: 1.2em; margin: 0;">W. S. Pratt, Esq.,</p> <p style="font-family: cursive; font-size: 1.2em; margin: 0;">London,</p> <p style="font-family: cursive; font-size: 1.2em; margin: 0;">Ont.</p>	<p>STAMP.</p>
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*Letter of Introduction.*

MESSRS. IVISON & PRATT,  
Toronto, Ont.

CLINTON, May 11, 1887.

GENTLEMEN,—

Permit me to introduce to you my friend, Mr. A. S. Taylor, an enterprising and successful merchant of this town, who goes to your city to-morrow to purchase goods. I shall be happy to acknowledge as a favor to myself any assistance that you may be able to give him.

Yours respectfully,  
JOHN CAMERON.

In addition to the ordinary superscription place the expression, "*Introducing A. S. Taylor, Esq., Clinton,*" near the bottom of the envelope and to the left.

Never introduce one unworthy of confidence.

Do not accept a letter of introduction from an unreliable person.

Do not introduce parties unless the acquaintance thus formed is likely to be agreeable, or advantageous to both.

*Letter of Introduction Incurring Liability.*

MESSRS. IVISON & PRATT,  
Toronto, Ont.

CLINTON, May 11, 1887.

GENTLEMEN,—

Allow me to introduce the bearer, Mr. A. S. Taylor, a merchant of this town. You may consider me responsible for goods that he may buy from you, to the amount of five hundred dollars.

Yours respectfully,  
JOHN CAMERON.

Such letters as the foregoing, involving pecuniary interests, should be given only to responsible parties. Great care should be exercised in this.

## EXERCISE I.

On the 30th of June, 1887, A. S. Taylor failed. Resources, \$7,000; Liabilities, \$9,000. Ivison & Pratt's account against him is \$900. Write their letter to John Cameron.

*Requesting to have an Account Opened and Ordering Goods.*

MESSRS. SALLOWS & Co.,  
Montreal, P.Q.

WOODSTOCK, June 10, 1887

GENTLEMEN,—

Having opened a boot and shoe store in this town, I desire to open an account with you.

For information in regard to my standing financially, I beg leave to refer you to D. C. McMurchy of your city.

If you decide favorably, please forward immediately by express—

120 prs. Men's Buff Bals.,  
 100 " " Gaiters.  
 120 " Women's French Kid Bals.

Yours truly,  
 JAMES DOTY.

*Reply to the Foregoing.*

MONTREAL, June 14, 1887.

MR. JAMES DOTY,  
 Woodstock, Ont.

DEAR SIR,—

Yours of the 10th instant at hand, for which favor please accept our thanks.

Having referred to Mr. McMurchy as to your standing, &c., we take pleasure in placing your name on our list of customers.

Enclosed you will find Invoice of Goods shipped this morning, as per your order.

Very respectfully,  
 SALLOWS & CO.

EXERCISE II.

Write a letter from Sallows & Co. to Doty, refusing to send him goods on credit, and assigning reasons.

*Order for Goods.*

PORT ELGIN, May 12, 1887.

MESSRS. GILROY & JOHNSON,  
 Hamilton, Ont.

GENTLEMEN,—

Please forward by express the following goods:

2 Half Chests Oolong Tea,  
 3 Bags Rio Coffee.

Draw on us at 30 days' sight, and oblige,

Yours truly,  
 KENNEDY & McKAY.

In filling out an order care must be taken to write plainly and give all the distinguishing marks, &c. Inattention to this is often followed by serious inconvenience.



*Reply to the foregoing.*

HAMILTON, May 14, 1887.

MESSRS. KENNEDY & MCKAY,  
Port Elgin, Ont.

GENTLEMEN,—

Enclosed please find Invoice and Bill of Lading of Goods shipped to you this day, as per your order of the 12th inst., which goods we hope will prove satisfactory.

At your request we send draft at 30 days' sight. Please accept the same and remit at your earliest convenience. Soliciting your further orders, we remain,

Yours truly,

GILROY &amp; JOHNSON.

As soon as convenient after the receipt of goods, they should be examined to see whether they agree with the invoice or not. If found correct the invoice should be "marked" and the proper entries made in the books. If not, the house supplying the goods should be notified of the error at once. See page 48.

## EXERCISE III.

Write a letter to your employer asking for an increase of salary, stating reasons.

*Letter Acknowledging Receipt of Goods.*

MESSRS. FRASER & MUNRO,  
Montreal, Que.

OTTAWA, Sept. 16, 1887.

GENTLEMEN,—

Yours of the 14th inst., advising me of shipment of goods, came to hand yesterday.

The goods have arrived to-day in excellent condition, and I am well satisfied with them.

Yours respectfully,

G. M. BATES.

*Letter Complaining of an Error in a Bill.*

A. S. LAWRENCE,  
Hamilton, Ont.

OWEN SOUND, Jan. 22, 1887.

DEAR SIR,—

In your bill of the 15th inst., I am charged with 2 Bags Rio Coffee, which I neither ordered nor received. Kindly make the necessary correction and return the bill, which I enclose herewith.

Very truly yours,

EDWARD GRAHAM.

## EXERCISE IV.

Write Lawrence's reply and also Graham's acknowledgment of the correction made.

*Letter Enclosing Payment for Goods.*

MESSRS. PRATT &amp; Co.,

BROCKVILLE, Aug. 8, 1887.

Oshawa, Ont,

GENTLEMEN,—

Enclosed find a draft for \$130, the amount of your bill of the 5th inst. Please receipt the bill which I send herewith, and return it to

Yours &amp;c.,

A. ROBINSON.

Payments should be made on the very day agreed upon. If that is not possible, a communication explaining the matter must be sent promptly to the creditor. Thoroughly trained business men "never put off till to-morrow what should be done to-day."

*Letter Enclosing a Remittance.*

JOHN FISHER, Esq.,

WINNIPEG, May 12, 1887.

Emerson, Man.

DEAR SIR,—

Herewith I send a draft on Harrison & Wilson, of your town, for \$35.40, to close my account. Please send a receipt in full of all demands to date, and oblige,

Your obedient servant,

ALEX. ROSS.

*Letter Requesting a Remittance.*

ST. CATHARINES, June 1, 1887.

GEORGE C. LEEDS, Esq.,

Grimsby, Ont.

DEAR SIR,—

We desire to call your attention to the enclosed statement of account shewing a balance in our favor of \$140.50.

By remitting the amount at your earliest possible convenience, you will oblige,

Yours respectfully,

PHELPS &amp; ORR.

## EXERCISE V.

Write Leeds' reply if he finds that the statement does not agree with his own books.

*Reply.*

GRIMSBY, June 3, 1887.

MESSRS. PHELPS & ORR,  
St. Catharines, Ont.

GENTLEMEN,—

Yours of the 1st inst. requesting a settlement of account, to hand. I am sorry that I cannot remit before the 10th inst. If you will not press the matter until that date, you will greatly oblige.

Yours truly,  
GEO. C. LEEDS.

## EXERCISE VI.

1. Write a letter to Wm. Taylor, Hamilton, requesting a statement of account.
2. Write Taylor's reply enclosing statement.
3. Write a letter to Wm. Taylor enclosing a draft for the amount due him.
4. Write Taylor's acknowledgment of the remittance.

*Requesting Payment.*

JOSEPH EMERSON, Esq.,  
Southampton, Ont.

OWEN SOUND, May 20, 1887.

DEAR SIR,—

As we have several large payments to make on the first day of June, we are reluctantly compelled to ask you to settle your account (as per enclosed statement) in the meantime. By attending to the matter you will greatly oblige,

Yours respectfully,  
ADAMSON & CO.

To neglect replying at once to a letter like the foregoing is almost sure to lead to unpleasantness.

*Urgently Requesting Payment.*

JOSEPH EMERSON, Esq.,  
Southampton, Ont.

OWEN SOUND, June 2, 1887.

DEAR SIR,—

Permit us to call your attention to our letter of the 20th ult., asking you to settle your account, which is long past due.

By remitting immediately you will save costs, and oblige,

Yours, &c.,  
ADAMSON & CO.

*Notice of Draft.*

CLINTON, MAY 24, 1887.

MESSRS. TAYLOR & Co.,  
St. Catharines, Ont.

GENTLEMEN,—

We have this day drawn on you in favor of A. S. Embury at 30 days' sight, for \$120. Please honor and oblige,

Yours very truly,

MANNING &amp; SCOTT.

*Notice of a Dishonored Note.*

GALT, July 11, 1887.

H. C. CAMERON, Esq.,  
Paris, Ont.

DEAR SIR,—

Having presented for payment, James Callan's note for \$100, indorsed by you, he stated he could not pay it. I shall, therefore, reluctantly be obliged to look to you for payment. By attending to the matter immediately you will oblige,

Yours respectfully,

J. P. KEOWEN.

*Application for a Situation as Book-keeper.*

CLINTON, June 17, 1887.

J. C. RICHARDSON, Esq.,  
Walkerton, Ont.

DEAR SIR,—

In reply to your advertisement in the *Globe* of to-day, for a book-keeper, I beg leave to offer you my services.

Just after taking a thorough course at the Clinton High School four years ago, in commercial work, I became assistant book-keeper for Miller & Gregory, of this town, continuing in their employ ever since. Please find enclosed their testimonial as to my character, ability, &c.

If I am successful in this application, I shall enter upon my duties determined to discharge them faithfully.

Your obedient servant,

L. M. HAY.

*Application for a Situation as Teacher*

PAISLEY, May 12, 1887.

JAS. H. SCOTT, ESQ.,

Sec. P. S. B.,

Summerside, Ont.

DEAR SIR,—

In reply to your advertisement in the *Daily Mail* of to-day I hereby respectfully offer myself as a candidate for the vacancy in your school.

I hold a First-Class Professional Teacher's Certificate (Grade C), and I have five years' experience, as is shewn by the enclosed testimonials, to which I beg leave to refer you.

Should I be honored with the appointment, I shall take charge with both the determination and confidence that my services will prove satisfactory to all concerned.

I have the honor to be,

Your obedient servant,

PETER CRAMWELL.

## EXERCISE VII.

Write a letter to the headmaster of the school you have been attending, requesting him to give you a recommendation.

*Recommending a Teacher.*

MILLBANK, June 15, 1887.

TO WHOM IT MAY CONCERN,—

This certifies that Mr. C. H. Cann taught as principal of the public school here for four years, and that during that time he proved himself an earnest, painstaking, and successful teacher.

Mr. Cann is a gentleman whose character is above reproach, and he is thoroughly devoted to his profession. I have therefore much pleasure in recommending him as a first-class teacher, who will always have the moral as well as the mental interests of his pupils at heart.

J. S. SIMPSON,

Chairman P. S. B.

Millbank, Ont.



*Calling a Business Meeting.*

KINCARDINE, June 23, 1887.

JAMES MILLER, ESQ.,

DEAR SIR,—

There will be a special meeting of the High School Board held in the Council Chamber, at 8 o'clock to-night. You are respectfully requested to attend.

Yours truly,

A. M. SHIELDS,

Sec. H. S. B.

*Note of Invitation.*

Miss Maggie McGregor requests the pleasure of Mr. William Young's company next Tuesday evening at eight o'clock.

28 Welland Ave., June 9.

*Answer (Accepting).*

Mr. William Young presents his compliments to Miss Maggie McGregor, and has much pleasure in accepting her kind invitation for next Tuesday evening.

204 St. Paul St., June 10.

*Answer (Declining).*

Mr. William Young presents his compliments to Miss Maggie McGregor, and deeply regrets that, owing to a previous engagement, he cannot accept her kind invitation for next Tuesday evening.

204 St. Paul St., June 10.

**EXERCISE VIII.**

Write a note of invitation to a birthday party.

Give a reply accepting the invitation, and one declining it.

**EXERCISE IX.**

Arnoldus Thomas is a dry goods merchant in the town of Walkerton. Write for him a circular to his customers announcing the arrival of his spring goods.

**EXERCISE X.**

Answer one of the following advertisements :

"WANTED.—A young girl as saleswoman and assistant book-keeper in a millinery establishment. Address, giving testimonials and full particulars as to age, education, experience, &c., Mrs. H. A. MacLean, Eskdale, Ont."

"WANTED.—In a law office, a boy about 15 years of age, who is a fair penman. Applications, stating particulars, to be addressed to Robinson & Son, Walkerton."

**EXERCISE XI.**

Write a letter to a friend in Winnipeg, telling him that you have some notion of locating there, and stating the amount of capital you wish to invest, the line of business you propose to pursue, &c. Ask him for such information as may help you to decide upon what to do.

**EXERCISE XII.**

Write an advertisement under the heading, "Store to Rent."

**EXERCISE XIII.**

B. A. Young, of Manchester, telegraphs to Muir & Co., of Toronto, requesting them to send at once, by express, 80 packages Canned Salmon, and to draw on him at ten days. Write the telegram, which must not consist of more than ten words.

**EXERCISE XIV.**

You have sold your farm for \$5,000, receiving in payment \$2,000 cash, and a mortgage bearing interest at 6% for \$3,000. Write a telegram not exceeding ten words, to Lachlan MacLean, Gresham, informing him of all the particulars.

**EXERCISE XV.**

Write an advertisement under the heading, "Farm for Sale."

## CHAPTER XI.

## ABBREVIATIONS.

Acct., Account.	Esq., Esquire.	P., Page.
Acc't., Accountant.	Exp., Expenses.	P.C.B., Petty Cash Book.
Adv., Adventure.		Pcs., Pieces.
Agt., Agent.	Feb., February.	Pd., Paid.
Amt., Amount.	Fir., Firkin.	Per, By.
Ans., Answer.	F.o.b., Free on Board.	P.B., Pass Book.
Ap., April.	Fol., Folio.	Pkg., Package.
Aug., August.	Fw'd, Forward.	P.O., Post Office.
Av., Average.	For., Foreign.	Pol., Policy.
	Fri., Friday.	Prem., Premium.
	Ft., Freight.	Prox., Next Month.
		Pts., Pints.
Bal., Balance.	Gal., Gallon.	Qr., Quarter.
B.B., Bill Book.	Gen. L., General Ledger.	Qt., Quart.
Bbl., Barrel.	Guin., Guinea.	
Bk., Bank.		
B.P., Bills Payable.	Hdkf., Handkerchief.	R.B., Receipt Book.
B.R., Bills Receivable.	Hhd., Hogshead.	Rec'd, Received.
Bl'k, Black.	Hund., Hundred.	Rec'pt, Receipt.
Bot., Bought.		Reg., Register.
Brot., Brought.		Rep., Representation.
		Ro., Right-hand Page.
Cap., Capital.	I.B., Invoice Book.	R.R., Railroad.
C.B., Cash Book.	i.e., That is.	
C.D., Certificate of Deposit.	Inst., instant.	
Clk., Clerk.	Int. Interest.	
Chgd., Charged.	Inv., Invoice.	Sat., Saturday.
Co., Company.	Invty., Inventory.	S.B., Sales Book.
C.C., Account Current.		Sec., Secretary.
C.O.D., Collect on Delivery.	J., Journal.	Shipt., Shipment.
Com., Commission.	Jan., January.	Sq., Square.
Consgt., Consignment.	J.F., Journal Folio.	St., Street.
Cts., Cents.		Stg., Sterling.
Cwt., Hundredweight.	Lbs., Pounds.	Sunds., Sundries.
	L.B., Letter Book.	
	L.F., Ledger Folio.	T.B., Trial Balance.
	L. & G., Loss and Gain.	Thurs., Thursday.
D., Pence.		
D or d, Day.	M., Thousand.	Ult., Last Month.
D.B., Day Book.	Mar., March.	
Dec., December.	Mem., Memorandum.	Viz., Namely.
Dft., Draft.	Mft'g, Manufacturing.	
Dis., Discount.	Mo., Month.	W.B., Way Bill.
Div., Dividend.		Wed., Wednesday.
Do., The Same.	N.B., Take Notice.	Wt., Weight.
Dols. or \$, Dollars.	No., Number.	
Doz., Dozen.	Nov., November.	Yds., Yards.
		Yr., Year.
E. & O. E., Errors and Omissions Excepted.	Oct., October.	
Ea., Each.	O.B., Order Book.	@, at.
Ext'd, Extend.	O.I.B., Outward Invoice B'k.	% , Per Cent.
Exch., Exchange.	Oz., Ounce.	✓, Check Mark.

**MERCANTILE TERMS DEFINED.**

- ACCEPTANCE**—The assent of the person on whom a bill is drawn to pay it when due. The accepted bill.
- ACCOMMODATION**—A loan of money. A draft accepted or a note indorsed merely to oblige another, without valuable consideration.
- ACCOUNT CURRENT**—A statement of the transactions between two parties, shewing the condition of affairs at the *current* time.
- ACCOUNT PURCHASE**—A formal written statement rendered by an agent to his principal, shewing the cost of goods purchased, as well as all expenses and charges connected therewith.
- ACCOUNT SALES**—A written statement of goods sold on commission, shewing quantities, prices, &c., as well as all charges on the same.
- ADVENTURE**—A term representing goods sent to be sold on commission.
- AD VALOREM**—According to value.
- ADVICE**—Information regarding a business matter.
- AGENT**—One who has power to transact business for another.
- ANNUITY**—Value payable at the expiration of certain periods of time. An annuity may be payable yearly, half-yearly, quarterly, &c.
- ASSESSMENT**—The valuation of the property of those who are to pay a tax, for the purpose of fixing the proportion which each shall pay.
- ASSETS**—All values belonging to a person, firm, or corporation.
- ASSIGNEE**—A person appointed by another to perform some business. One to whom an assignment is made.
- ASSIGNMENT**—The transfer of the property of a bankrupt to another in whom it is vested for the benefit of creditors.
- ASSIGNOR**—One who transfers an interest to another.
- ATTACHMENT**—A seizure of goods by virtue of legal process.
- AUDIT**—To examine accounts and testify to their correctness.
- AVERAGING AN ACCOUNT**—Finding the time at which the balance of an account may be paid, so that neither party concerned may suffer loss.
- BALANCE**—The difference between the sides of an account. To close an account.
- BALANCE OF TRADE**—The difference between exports and imports of one country with respect to another.
- BALANCE SHEET**—A statement in Tabulated form, shewing fully the condition of a business.
- BANK BILL**—A promissory note issued by a bank, payable to bearer on demand, and circulated as money.
- BANK BOOK**—A small book held by the depositor, into which deposits are entered by the bank officials, as they are made. At stated times it is handed over to the bank accountant to be balanced. This being done, it and the vouchers are returned.
- BANKRUPT**—Unable to pay debts.
- BARTER**—To exchange one commodity for another.
- BILL**—A detailed statement of goods bought or sold.
- BILL OF ENTRY**—A written statement of goods entered at a custom house.
- BILL OF EXCHANGE**—An order issued in one country for the payment of money in another.

**BILL OF LADING**—A written statement signed by the master of a vessel acknowledging the receipt of goods on board, and agreeing, under certain conditions, to deliver them safe to the person to whom they are directed.

**BILL OF SALE**—A contract under seal, by which a person conveys his title to property.

**BLANK CREDIT**—Permission to draw on a person or firm to a specified amount.

**BOND**—A written obligation under seal to pay a sum or perform a contract.

**BONDED GOODS**—Goods left in charge of the officers of customs, for the duties on which bonds are given at the custom house.

**BONDED WAREHOUSE**—A warehouse in which goods are kept for security of the duties chargeable on them.

**BOTTOMRY BOND**—A lien on a vessel as security for money lent to the owner, the understanding being that if the vessel is lost on the voyage, the money will not be refunded.

**BROKER**—One who buys and sells property for others.

**BROKERAGE**—The percentage paid to a broker for his services.

**CAPITAL**—The effects invested in any business.

**CARGO**—The goods or wares conveyed in a ship.

**CASH DISCOUNT**—An allowance made for payment within a specified time, or for payment of ready money.

**CERTIFIED CHECK**—An order on a bank, which is marked "good" by the cashier, the bank being thus made responsible for its payment.

**CERTIFICATE OF DEPOSIT**—A receipt given by a banker to a depositor as his voucher for value deposited.

**CHARTER PARTY**—An agreement between the owner of a vessel and the person to whom she is chartered.

**CHATTELS**—Movable property.

**CHATTEL NOTE**—One payable otherwise than in money.

**CHECK**—An order on a bank. (See page 52.)

**CIRCULAR LETTER**—A printed sheet issued by a house for a special purpose, such as notifying customers of the arrival of goods, etc.

**CIRCULATING MEDIUM**—Whatever passes as money; such as, bank notes, bank drafts payable on demand, etc.

**CLEARANCE**—A certificate from a custom house that a vessel has permission to sail.

**COCKET**—A custom house certificate that goods have been duly entered.

**COMMERCIAL PAPER**—Promissory notes, drafts, bills of exchange, checks, &c. All paper which can be transferred from one to another as value.

**COMMISSION**—An allowance to an agent for services rendered.

**COMPOSITION**—The act of discharging a debt by paying a part of it.

**COMPROMISE**—To settle a dispute by mutual concession.

**CONSIGNEE**—One to whom goods are sent to be sold for another. One to whom a ship's cargo is directed.

**CONSIGNMENT**—Goods received to be sold on commission.

**CONSIGNOR**—One who consigns goods to another.

**CONTRABAND TRADE**—The exporting or importing of goods illegally. Trade prohibited by law.

**CORPORATION**—A society legally authorized to transact business as an individual.



**COUNTERMAND**—A revocation of a former order. Sometimes termed “counter-order.”

**COUPON**—One of the certificates of interest attached to a bond. Every time that interest falls due, one will be taken off and presented for payment.

**CREDIT**—To trust. To place to the credit side of an account. The side of an account which shews the amount due the person or thing represented.

**CREDIT NOTE**—An acknowledgment of an error in regard to goods shipped to another.

**CREDITOR**—One who has given value to another without receiving payment for it.

**CURRENCY**—That which passes in a country as money.

**CURRENT PRICE**—The ordinary price at the time referred to.

**CUSTOM HOUSE**—The place where goods are entered and the duties upon them collected.

**DAYS OF GRACE**—The time allowed for the payment of a note or bill after it becomes nominally due. In Canada there are three days of grace given, *i.e.*, a bill becomes due on the third day after the time expressed in it has expired.

**DEBENTURE**—A document issued by a company or municipality as security for money borrowed.

**DEBIT**—The side of an acct. shewing indebtedness. To make an entry on the Dr. side.

**DEBTOR**—One who owes another.

**DISCOUNT**—An allowance made for the payment of a debt before it becomes due.

**DISHONOR**—To refuse to accept a draft or pay an acceptance, note or check.

**DIVIDEND**—The share paid to a creditor of a bankrupt. The interest paid to the owners of bank stock, etc.

**DOCUMENT**—A writing containing information, evidence or directions.

**DRAFT**—A written order for the payment of money addressed by one person to another.

**DRAWEE**—The person on whom the draft is drawn.

**DRAWER**—The one who draws on another.

**DUBIOUS PAPER**—Paper issued by a person or firm whose financial standing is not considered good.

**DUTY**—Money paid to the Government of a country on goods imported or exported.

**EFFECTS**—All values belonging to a concern.

**EMBARGO**—A restraint imposed by the public authorities of a country on vessels to prevent their sailing to or from its ports.

**ENDORSE**—To write one's name on the back of a bill. To become responsible for the payment of a bill. (See page 50.)

**EXCISE**—A tax levied on commodities produced within a country.

**EXCHANGE**—The method of settling debts by means of bills, when the debtors and creditors live in different countries.

**FAC SIMILE**—An exact copy.

**FINANCES**—The income or effects of a firm or individual.

**FIRM**—The name under which an association is known, in the transacting of business.

**FIRST-RATE PAPER**—Bills, notes, checks, etc., issued by a house of good financial standing.

**FLAT**—Dull.

**FOLIO**—The left and right hand pages of an account book, when both are numbered by the same figure.

**FORECLOSE**—When applied to a mortgage means to deprive the mortgagor of the right of redemption.

**FOREIGN BILL OF EXCHANGE**—A bill payable in a different country from the one in which it is made.

**FREE TRADE**—Commerce carried on between two countries without being restricted by customs or duties.

**FREIGHT**—The sum charged for the transportation of goods.

**GARNISHEE**—A person who holds value belonging to a second, and who has received warning or *garnishment* not to pay or deliver it, owing to a claim made by a third person (the primary creditor) against the second (the primary debtor).

**GOOD WILL**—The advantage or benefit which is acquired by an establishment beyond the value of its capital, in consequence of the public patronage it receives.

**GUARANTEE**—An undertaking to answer for the payment of a debt, or the performance of some duty in case of the failure of another liable for such.

**HONOR**—As applied to drafts and notes means to accept, or pay when due.

**HYPOTHECATE**—To give as security for the payment of money without giving actual possession.

**IMPOST**—A rate imposed.

**INDIVIDUAL NOTE**—A promissory note signed by only one person.

**INSOLVENT**—Having a greater amount of liabilities than of resources.

**INSTALMENT**—A part of a debt to be paid at a stated time.

**INSURANCE**—The sum paid for insuring property or life.

**INTEREST**—A sum paid for the use of money.

**INVENTORY**—A statement of goods on hand.

**INVOICE**—A list of goods purchased.

**LEASE**—A contract by which the possession of property is given for a stated time.

**LEGACY**—Money or property allowed by a will or testament.

**LETTER OF ATTORNEY**—A writing by which one person authorizes another to transact business for him.

**LETTER OF CREDIT**—A letter requesting the person addressed to credit another whose name is mentioned in it, with a certain amount.

**LETTER OF LICENSE**—An instrument by which creditors allow a debtor, who has failed, to conduct his business without interference.

**LIABILITIES**—Debts or claims against a person or firm.

**LIEN**—A legal claim. A charge upon property for the satisfaction of a debt.

**LIQUIDATION**—The settlement of a debt.

**MANIFEST**—An invoice or list of the cargo of a ship, with the marks, number, and description, of each article or package, to be exhibited at the Custom House.

**MATURITY**—The time at which a bill becomes due.

**MERCHANDISE**—A general term denoting commodities bought or sold.

**MORTGAGE**—The conveyance of an estate to a creditor, for the security of a debt upon condition that the claim thus given becomes void on payment of the debt.

**MORTGAGEE**—A person to whom a mortgage is given.

**MORTGAGOR**—One who gives a mortgage.

**NEGOTIABLE**—Transferable from one to another.

**NET PROCEEDS**—That amount which remains after deducting all charges.

**NET WEIGHT**—The weight after making all allowances.

**NON-CLAIM**—The failure to make a claim within the time limited by law.

**NOTARY PUBLIC**—An officer authorized to attest contracts or writings of any kind. His duties chiefly relate to instruments used in commercial transactions such as protests of negotiable paper, &c.

**NOTE**—To record on the back of a bill a refusal of acceptance. A written promise to pay in money. (See Promissory Note.)

**OBLIGATION**—That which legally binds a person to perform a duty.

**ORDER**—A written request or demand for the payment of money or the delivery of goods.

**OPEN POLICY OF INSURANCE**—A policy upon which the amounts of the property insured are extended from time to time.

**PAR OF EXCHANGE**—The equivalence of a certain amount of the currency of one country in the currency of another.

**PARTIAL PAYMENTS**—Payment of a debt by parts at different times.

**PARTNERSHIP**—The union of two or more persons for the purpose of transacting business, the profits to be shared by each.

**PAYEE**—The one to whom a bill is payable.

**PER CENT. (%)**—By the hundred.

**PERSONAL ACCOUNT**—An account kept with a person, firm, or corporation.

**POLICY**—An instrument containing the conditions or terms on which one party agrees to indemnify another against loss.

**POSTING**—Transferring to the ledger.

**POWER OF ATTORNEY**—An instrument legally authorizing one person to transact business for another.

**PREMIUM**—The amount paid by the insured to the insurer. Value above nominal price.

**PRIVATE ACCOUNT**—An account kept with the proprietor in which to enter all amounts taken out of the business for private use.

**PROMISSORY NOTE**—A written promise to pay unconditionally a certain sum of money at a specified time.

**PROTEST**—A declaration in writing made by a notary public on behalf of the holder of a bill or note, that all parties to it will be held responsible for any losses sustained on account of its non-acceptance or non-payment.

**REAL ACCOUNT**—One which shews (generally) a resource or liability, by the difference between its sides. Cash, Bills Rec., Bills Pay., are examples of Real accounts.

**REBATE**—An amount thrown off the regular price.

**RECEIPT**—An acknowledgment in writing of having received a sum of money or other valuable consideration.

**REMITTANCE**—Value sent from one to another.

**RENEWAL OF A BILL**—The issuing of a new bill at the expiration of the term of another, so as to give an extension of time for payment.

**REPRESENTATIVE ACCOUNT**—One to which a particular title is given, so that the property belonging to it can be distinguished from other property of the same kind. Shipment, consignment, storage, insurance, &c., are examples.

**RESOURCES**—All financial values, either in a dealer's possession or owing to him by others.

**SALVAGE**—A compensation for saving or preserving a ship or her cargo from loss.

**SET OF EXCHANGE**—A number of bills of the same date and tenor. When one is paid the others are void, so that, in reality, the whole constitute but *one* bill. (See Bill of Exchange.)

**SHIPMENT**—Goods sent to an agent to be sold on commission.

**SIGNATURE**—The name of a person signed by himself.

**SINKING FUND**—A sum of money set apart for the payment of a debt when it becomes due.

**SOLVENT**—Able to pay all debts.

**SPECULATIVE ACCOUNTS**—Those kept with property for the purpose of shewing a loss or gain, such as merchandise, bank stock, real estate, &c.

**SPOT CASH**—Money paid at the time the transaction takes place.

**STAPLE GOODS**—The principal commodities produced in a country. Articles which are always in demand.

**STOCK**—The whole amount of goods on hand. As a ledger title, "Stock" represents the name of the proprietor.

**STORAGE**—The amount received for keeping goods in a warehouse.

**SURETY**—One who binds himself to perform a duty for another, if the latter should fail to perform it.

**TARE**—An allowance made on the gross weight of an article for the weight of the chest, bag, etc., containing such article.

**TARIFF**—A list of duties or customs to be paid on goods imported or exported.

**TELLER**—An officer of a bank who counts over money received, and pays out money on checks.

**TRADE DISCOUNT**—An allowance of so much per cent. on the invoice price made to dealers by wholesale houses.

**TRANSFER**—The legal conveyance of value from one to another.

**UNDERWRITER**—One who insures property.

**USURY**—Exorbitant interest.

**VOUCHER**—A book, paper, or document which serves to confirm the correctness of an account or statement.



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